



## Disposing of Grant-Funded Property

Disposing of grant-funded property involves more than clearing out old equipment. It is a compliance-driven process governed by federal regulations, particularly 2 CFR §200.313 for equipment, and §200.311 and 200.314 for real property and supplies. State grants may also impose additional requirements, so it is essential to review all grant agreements and contracts.

### Disposal of Grant-Funded Property: Compliance, Procedures, and Best Practices

#### Publish Date

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#### Background

The disposal of property acquired through federal grants is guided by principles of responsible stewardship, transparency, and the efficient use of public resources.

##### A. Regulatory Origins

- **Uniform Guidance (2 CFR Part 200):** Introduced to streamline and unify federal grant management across agencies. It consolidated previous circulars (like A-102 and A-110) and established clear rules for property use, management, and disposal.
- **Key Sections:**
  - **§ 200.311-314:** Cover real property, equipment, and supplies.
  - **§ 200.313(e):** Details disposal procedures when property is no longer needed.

##### B. Why Disposal Rules Exist

- **Federal Interest Retention:** Even after a grant ends, the federal government retains an interest in property purchased with its funds.
- **Prevent Waste and Misuse:** Ensures that valuable assets are not discarded or sold without proper oversight.
- **Promote Reuse:** Encourages transferring property to other federally funded programs when possible.
- **Ensure Fair Compensation:** If property is sold or retained, the federal agency must be compensated for its share of the original cost.

##### C. Policy Evolution

Key Components

- **Threshold Updates:** As of *October 1, 2024*, the fair market value threshold for simplified disposal increased from \$5,000 to *\$10,000* for equipment and supplies.
- **Disposition Instructions:**
  - If a federal agency no longer needs a property, it must declare it excess and report it to the appropriate disposal authority, unless authorized by statute to use alternative disposal methods (e.g., under the Federal Technology Transfer Act, 15 U.S.C. 3710(i)). The agency or pass-through entity must provide clear instructions to the recipient or subrecipient (2 CFR 200.312(b)).
  - Unless § 200.312(b) applies or disposition instructions are not provided within 120 days, equipment with a per-unit fair market value over \$10,000 may be retained or sold by the recipient or subrecipient. The Federal agency is entitled to its proportional share of the current market value or sale proceeds. If sold, the agency may allow the recipient to retain up to \$1,000 from the Federal share to cover selling and handling costs.
  - **Title Conditions:** Title to property is often conditional, recipients must fulfill award terms before full ownership is granted.

D. Common Disposal Scenarios

- **Retain:** Keep property for other federal programs.
- **Sell:** Share proceeds with the federal agency.
- **Transfer:** Title may be transferred to the federal government or a third party, provided the recipient or subrecipient receives compensation equal to their share of the property’s current fair market value ([2 CFR 200.313\(e\)\(3\)](#)).

Disposal Decision Summary Table

Fair Market Value	Agency Instructions Received?	Disposal Options
≤ \$10,000	Yes	Follow agency instructions (retain, sell, transfer, dispose)
≤ \$10,000	No (after 120 days)	Retain, sell, or dispose without further obligation
> \$10,000	Yes	Follow agency instructions; compensate federal share
> \$10,000	No (after 120 days)	Retain or sell; compensate federal share; retain up to \$1,000 for selling costs

Disposing of grant-funded property involves more than just getting rid of old equipment, it is a compliance-sensitive process with several critical components.

A. Regulatory Compliance

- Governed by 2 CFR §200.311-314 under the Uniform Guidance.

- Disposal must align with federal rules for real property, equipment, and supplies.
- Agencies like FEMA, Department of Energy, and GSA may have additional guidance or walkthroughs.

**B. Fair Market Value Thresholds (2 CFR § 200.313(e):**

- **≤ \$10,000 (effective Oct 1, 2024):** May be retained, sold, or disposed of without further obligation to the federal agency.
- Over \$10,000: Requires compensation to the federal government based on its share of the original purchase cost.

**C. Disposition Options (2 CFR § 200.313(e):**

- **Retain:** For use in other federally funded programs.
- **Sell:** Must use competitive methods and share proceeds with the federal agency.
- **Transfer Title:** To the federal government or an approved third party.
  - **Dispose:** If permitted and approved, you may discard or recycle with proper documentation.

**D. Documentation & Recordkeeping (2 CFR 200.313(d)):**

- Must track:
  - Description, serial or identification number, acquisition cost
  - Location, use, and condition
  - Source of funding, including the Federal Identification Number (FAIN)
  - Title Holder
  - Acquisition date and cost
  - Federal share percentage
  - Disposal method, sale price, and date
  - Retain records for at least 3 years post-disposal.

**E. Agency Instructions 2 CFR § 200.313(e):**

- If required, request disposition instructions from the federal agency.
- If there is no response within 120 days, the recipient may proceed independently per regulations.

**F. Security & Data Protection (2 CFR § 200.313(d):**

- For IT assets, follow data sanitization protocols (e.g., wiping hard drives). This aligns with NIST SP 800-88 Rev. 1 and is often referenced in federal IT security policies.
- Ensure physical security of assets awaiting disposal.

**G. Financial Implications (2 CFR § 200.313(e):**

- Improper disposal may trigger:
  - Audit findings
  - Repayment obligations
  - Loss of future funding eligibility

## Understanding the Impact

### H. Policy Updates

- Ensure internal policies reflect the new \$10,000 threshold and current federal standards.
- Maintenance procedures to ensure equipment is in working condition
- Train staff on disposal procedures and compliance risks.
- Control Systems: Implement safeguards to prevent the loss, damage or theft of equipment or supplies.
- Establish sales procedures to ensure alignment with regulations and the highest possible return.

Disposing of grant-funded assets carries a mix of legal, financial, and operational implications—and missteps can lead to audit findings, repayment obligations, or even grant ineligibility.

### Legal & Regulatory Implications

- **Federal Interest Retention:** Even after the grant ends, the federal government may retain an interest in the asset. Disposal without proper authorization can violate 2 CFR § 200.313(e).
- **Disposition Instructions:** If required by the award, recipients must request instructions from the federal agency. If no response is received within 120 days, disposal may proceed independently.
- **Title Conditions:** Title to equipment is often conditional, meaning full ownership is not granted until all award terms are met.

### Financial Implications

- **Compensation to Federal Agency:**
  - If the asset's fair market value exceeds \$10,000, the federal agency is entitled to its share of the proceeds.
  - Recipients may retain \$1,000 or 10% of sale proceeds (whichever is less) for selling costs.
- **Insurance Proceeds:** If an asset is lost or damaged, insurance payouts may need to be used to replace the item or compensate the federal share.

### Audit & Compliance Risks

- **Improper Disposal:** Can trigger findings during audits or monitoring reviews.
- **Recordkeeping Requirements:**
  - Must document disposal method, date, fair market value, and federal share.
  - Retain records for at least 3 years post-disposal.

### Operational Impacts

- **Program Continuity:** Disposal of key assets may affect program delivery if replacements are not planned.
- **Reuse Opportunities:** Assets may be transferred to other federally funded programs, reducing waste and maximizing value.

**Pro Tip:** Some agencies, like FEMA, offer detailed disposition walkthroughs to help recipients navigate the process. The National Institute of Standards and

## Next Steps & Recommendations

Technology (NIST), a U.S. federal agency within the Department of Commerce plays a key role in developing technology, metrics, and standards to promote innovation and industrial competitiveness. NIST Special Publication 800-88 Revision 1: Guidelines for Media Sanitization provides a comprehensive framework for securely erasing data from storage media to prevent unauthorized access.

Disposing of grant-funded property requires careful planning, documentation, and compliance with federal regulations, especially those outlined in 2 CFR § 200.311 – 200.314. It is important for organizations that receive federal funds to have the proper safeguards in place when managing grant funded property, equipment, and supplies.

The following are recommendations to consider:

### A. Review Grant Terms & Uniform Guidance:

- Check your award agreement for specific disposal conditions.
- Consult your organization's disposal procedures (if one exists) and follow that to remain in compliance. An organization may also wish to establish an inventory management system to track serial numbers, source of funding, description of property, title holder, acquisition date/cost, and federal participation percentage.
- Confirm whether you need to request disposition instructions from the federal agency or pass-through entity.
- Reference 2 CFR § 200.313(e) for equipment and FEMA's walkthrough for federally funded assets.

### B. Choose a Disposal Method:

- **Assess the Fair Market Value:** The Fair Market Value assists with how the equipment can be disposed of properly and in compliance with federal regulations.
  - If  $\leq$  \$10,000 per unit: You may retain, sell, or dispose of it without further obligation.
  - If  $>$  \$10,000: You must compensate the federal agency based on its share of the original purchase cost.
- **Retain:** Use for other federally funded programs.
- **Sell:** Use competitive methods; share proceeds with the federal agency.
- **Transfer Title:** To the federal government or eligible third party, with compensation for your share.
- **Trade-In:** Offset cost of replacement equipment.

**Please note:** An organization may maintain a documented disposal procedure that must be followed in accordance with its internal policies and guidelines, as well as applicable federal requirements.

### C. Document Everything:

- Maintain detailed records including:
- Description, serial number, acquisition cost
- Federal share percentage
- Disposal method, date, and sale price

- Retain records for at least 3 years after final disposition.

**D. Address Security & Compliance:**

- For IT assets, follow data sanitization protocols (e.g., overwriting, purging, or destroying) to protect sensitive information.
- Ensure physical security of assets awaiting disposal.

**E. Submit Required Reports:**

- Complete any required disposition forms (e.g., Surplus and Disposition Report).
- Notify the federal agency if required and wait up to 120 days for instructions before proceeding.

**F. Strengthen Inventory Control Systems:**

- Establish a centralized inventory management system to track physical assets.
- Implement a control system with periodic audits to prevent loss, damage, or theft.
- Develop a formal disposal procedure aligned with federal and internal policies.

**G. Train & Update Policies:**

- Educate staff on disposal procedures and compliance requirements.
- Update internal policies to reflect the new Uniform Guidance Updates, for example the \$10,000 fair market value threshold effective October 1, 2024.

## Additional Resources

- [eCFR: 2 CFR 200.313 - Equipment.](#)
- [eCFR: 2 CFR 200.439 - Equipment and other capital expenditures.](#)
- [eCFR: 32 CFR 34.21 - Real property and equipment](#)
- [eCFR: 40 CFR 35.6340 - Disposal of CERCLA-funded property.](#)
- [eCFR: 41 CFR 105-72.404 - Equipment. \(FMR 105-72.404\)](#)
- [Equipment Disposition Under a Federal Award](#)
- [Property, Equipment, and Other Capital Expenditures Guide Sheet](#)
- [Procedure for the Disposal of Grant Funded Assets](#)
- [uniformguidancefaqs.pdf](#)

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