



DATE: July 8, 2016

DIRECTIVE NO: 35-16

RECISSION: La Cooperativa Directive No. 20-09

TO: All La Cooperativa Subrecipients

SUBJECT: Property Management

PURPOSE:

The purpose of this directive is to provide subrecipients with policy and procedural guidance for the management of property purchased through programs funded by La Cooperativa.

REFERENCES:

- 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule
- Workforce Innovation and Opportunity Act Regulations, 20 CFR 683.235

BACKGROUND:

On December 26, 2013, the Office of Management and Budget revised the Uniform Administrative Requirements for Federal grants, combining those requirements with those of the audit requirements and cost principles. These regulations are codified at 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230, became effective December 26, 2014, and are referred to as the Uniform Guidance. These rules contain the requirements for the purchase, inventory, maintenance and disposal of property and supplies funded with Federal subgrant awards to subrecipients. The intent of these rules is to ensure that purchases of property are approved, performed through fair and open competition, and managed according to proper inventory, maintenance, and disposition procedures.



DEFINITIONS:

Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in or excluded from the acquisition cost in accordance with the non-Federal entity's regular accounting practices. (2 CFR 200.2)

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- (a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- (b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). (2 CFR 200.12)

Capital expenditures means expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life. (2 CFR 200.13)

Equipment means 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 by the non-Federal entity for financial statement purposes, or \$5,000. (2 CFR 200.33)

General purpose equipment means equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles. (2 CFR 200.48)

Information technology systems means computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. (2 CFR 200.58)

Intangible property means property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and

other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible). (2 CFR 200.59)

License Fee means payment for authorization allowing use of property, equipment or proprietary software.

Property means real property or personal property. (2 CFR 200.81)

Real property means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment. (2 CFR 200.85)

Software means programs, procedures, data, and routines used, accessed, and/or stored by computers.

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a subrecipient or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR 200.92)

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. (2 CFR 200.93)

Subscription refers to the regular remittance of pay for the licensed use of services, software, equipment, or property with a cost of \$5,000 or more per unit, or cumulative cost within a twelve month period.

Supplies means all tangible personal property other than those described in Sec. 200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life. (2 CFR 200.94)

POLICY:

Subrecipients must request written prior approval from La Cooperativa for property purchases (including software purchases) with a per unit cost of \$1000 or more. Lack of written prior approval for purchases may result in disallowed costs.

Prior Approval Process

For any property purchase (including software purchases, licenses or subscriptions) with a cost of \$1000 or more per unit, or cumulative cost for a twelve month period the following steps must occur:

- Subrecipients must complete a "Request for Approval to Purchase Property" (copy attached)
- Documentation describing item(s) to be purchased, leased, or subscribed to as well as an explanation of functionality, submitted with request.
- If purchasing or subscribing software, submit documentation clarifying how new software will deliver functionality not provided by La Cooperativa.
- The completed form must be submitted to La Cooperativa who will review the form and either approve or disapprove the request.
- If the request is for an item with a unit cost of \$5000 or more, La Cooperativa must forward the request to the Employment Development Department for final approval. When a response is received, the subrecipient will be notified in writing.

Budget Plans

A subrecipient may occasionally submit budget plans that include an equipment request. The approval of the budget plan DOES NOT constitute approval of the equipment request. A separate request to purchase equipment must be submitted for approval by the subrecipient prior to the time of purchase.

Purchase Considerations

The following considerations must be made prior to requesting approval from LCCDC to charge WIOA funds for the purchase of property.

- Is this purchase necessary and reasonable?
- Why is the purchase needed?
- Have the best products been selected?
- What procurement method will be used?
- Was a lease option considered in lieu of the purchase?
- What other costs are associated with the purchase?
- Is there a cost sharing agreement if multiple partners will share the cost of the purchase?

Cost Sharing Information

When a subrecipient plans to enter into a “cost sharing” agreement for the purchase of property with a per unit purchase price of \$1000 or more, it must obtain prior approval no matter the portion allocated to WIOA.

Calculation of “Fair Market” Value

The selling price of an item that is sold through auction, advertisement, or a dealer is the fair market value of the item regardless of any prior estimates. An item that is not sold but retained by the entity has a fair market value based on similar items that are offered for sale, using the selling price if known. Methods for determining fair market value include, but are not limited to:

- Auctions
- Classified advertisements for similar used items
- Dealers
- Licensed appraisers
- For automobiles, trucks, and vans, the standard authority on the value of used vehicles is the Kelley Blue Book.

Leasing Considerations

The decision to lease or buy personal property must be governed by considerations of economy. Consideration may differ by property type and according to market conditions. The length of the contract period of the lease should also be considered. Leasing with an option to purchase is generally preferable to straight leasing.

INVENTORY RECORDS:

Subrecipients must maintain accurate inventory records of all equipment purchased with federal funds. All equipment should have a unique identification mark to be used for inventory purposes. A physical property inventory must be taken and reconciled with the property records at least once every two years. The equipment records shall include the following information:

1. A description of the equipment.
2. Manufacturer’s serial number, model number, or other identification number.
3. Source of the equipment, including the contract number.
4. Acquisition date
5. Per unit cost at acquisition.
6. Records showing maintenance procedures to keep the equipment in good operating order.
7. Location and condition of the equipment and the date the information was reported.

8. Disposition date, sale price, loss, theft, etc.

Protection of Subaward Property

The subrecipient must, at a minimum, provide the equivalent insurance coverage for equipment acquired or improved with La Cooperativa subaward funds as provided to property owned by the subrecipient.

A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

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

Replacement of Equipment

When acquiring replacement equipment, the subrecipient may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property. Any such changes must be documented.

DISPOSITION:

For equipment with a residual fair market value of \$1000 or more, the subrecipient must request disposition instructions in writing from La Cooperativa.

For property with a fair market value of less than \$1000 the subrecipient may retain, sell or dispose of the property and nothing needs to be reported to La Cooperativa. A disposition record must be kept for any transaction in accordance with WIOA record retention requirements.

For unused supplies and intangible property purchased with federal funds, title vests with the organization subject to management and disposition conditions. The subrecipient must maintain sufficient records to determine the amount of unused supplies on hand at the termination of the award. The subrecipient must compensate the awarding agency through La Cooperativa for its share of the residual inventory if the inventory is \$5,000 or more in aggregate value upon termination or completion of the award and if the supplies are not needed for any other Federally sponsored programs or projects.

PROPERTY RECORDS RETENTION:

All property records must be maintained from date of acquisition, through final disposition. The service provider must also retain those records for a period of three years from the date of their last expenditure report submitted to La Cooperativa. If any litigation, claim, or audit is started before the expiration of the three-year period, all records must be retained until all findings have been resolved and final action taken.

RENOVATION OF FACILITIES:

The WIOA Title I funds must not be spent on construction or renovation of facilities or buildings without the specific written approval of La Cooperativa. The only conditions that will be considered for approval for the repair, renovation, alteration or other capital improvement to a building will be under the following conditions:

- To provide physical and programmatic accessibility and reasonable accommodation as required by the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990.
- To fund disaster relief employment on projects for demolition, cleaning, repair, renovation, and reconstruction of damaged and destroyed structures, facilities, and lands located within a disaster area.

ACTION:

La Cooperativa and its subrecipients shall follow this policy. This policy will remain in effect from the date of issue until such time that a revision is required.

INQUIRIES:

If you have any questions regarding this Directive, please contact Fernando Gonzalez at (916) 388-2225 or e-mail at fgonzalez@lacooperativa.org .



Marco Lizarraga
Executive Director

Attachment
Request for Approval to Purchase Property

REQUEST FOR PRIOR APPROVAL TO PURCHASE PROPERTY
UNIT ACQUISITION COST OF \$1000 OR MORE

Date: _____

Subrecipient Name _____ Subaward No. _____

Is there a cost sharing agreement with multiple partners? Yes No

For Shared Costs - % of Fund Source Share _____

Estimated Total Cost _____

Reason for Property Purchase. Is it necessary?

What procurement method will be used? Is the cost reasonable?

Lease option considered in lieu of the purchase? Yes No If Leased, Describe
Option

Costs (Set Up, Installation, etc.) Associated With the Purchase

Address of Where Property Will Be Located

Authorized Subrecipient Representative

Signature