



**COUNTY OF LOS ANGELES  
COMMUNITY AND SENIOR SERVICES**

**DIRECTIVE**

**Number: CD- 15 - 6**

**SUBJECT: Property Management –  
Equipment Purchases, inventory,  
Maintenance and Disposal**

**Date: June 29, 2016**

**Effective Date: July 1, 2016**

**TO: ALL CSS SUBRECIPIENTS**

**RECISSION:**

This directive supersedes any prior directives issued by the County of Los Angeles Community and Senior Services (CSS) on property management-equipment purchases, inventory, asset management, inventory maintenance and disposal.

**PURPOSE:**

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

**APPLICATION:**

This directive applies to all subrecipients funded by CSS including, but not limited to, the following programs:

- Older Americans Act
- Community Service Block Grant
- Workforce Innovation and Opportunity Act

**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.

**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, 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 County-funded purchase, inventory, maintenance, and disposal of property and supplies by subrecipients. The intent of these rules is to ensure that the purchase of property and/or equipment using federal, State, or County funds is approved and 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 its value or useful life. (2 CFR 200.13)

Contractor is an entity which has a contractual obligation with CSS to render services in exchange for funding, as defined in 2 CFR 200.93. The Contractor is also known as a subrecipient and/or agency.

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 funds through 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 of \$5,000 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:**

CSS requires all subrecipients to comply with the requirements set forth in these regulations for the management of all property purchased with contract funds.

## **PURCHASE OF PROPERTY:**

Subrecipients must request prior approval from CSS for the purchase with contract funds of any property or licensing/subscription with a cost of \$5,000 or more per unit, or cumulative cost of \$5,000 for a twelve month period.

The following considerations must be made prior to requesting approval from CSS. These considerations are also on the approval form attached to this Directive.

- Why is the purchase needed?
- What procurement method will be used?
- Was a lease option considered in lieu of the purchase?
- What other costs are associated with the purchase?
- If costs are shared, is there a cost sharing agreement between multiple partners that will share the cost of the purchase? If so, see "Cost Sharing Information" section below if costs are being shared.
- Does the County already provide the item, service, or software being considered for rent, purchase, or subscription?

Prior authorization for purchases that exceed \$5,000 must be forwarded to CSS for approval in accordance with administrative requirements.

## **Cost Sharing Information**

When a subrecipient plans to enter into a "cost sharing" agreement for the purchase of property with a per unit (or cumulative cost for a twelve month period) purchase price of \$5,000 or more, the subrecipient must obtain prior approval no matter the portion it plans to contribute.

## **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. However, for real property,

administrative requirements make leasing the only option, as the construction or purchase of real property is not allowed except in certain limited circumstances. These limited circumstances are described in the "Capital Assets and Construction Costs" section of this directive.

### **Prior Approval Process**

The following steps must occur for any property purchase, including software purchases, licenses, or subscriptions, with a cost of \$5,000 or more per unit or cumulative cost of \$5,000 for a twelve month period:

- 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, must be submitted along with the request.
- If purchasing or subscribing software, documentation must be submitted detailing how the new software will deliver functionality not already provided by County.
- The completed form must be submitted to the Program Manager of the respective County-funded program.
- The Program Manager will review the request form and either approve or disapprove the request. If approved, it will be forwarded to the CSS Contracts Management Division (CMD).
- If the request for purchase is \$5,000 or more, CMD will forward the request to the State funding source for final approval. When a response is received, the subrecipient will be notified by CMD of either approval or disapproval by the State funding source.

### **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 to CSS prior to the time of purchase.

### **Capital Assets and Construction Costs**

CSS prohibits the expenditure of its subaward funds on construction or purchase of facilities or buildings, except 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.

Expenditure of subaward funds for this purpose may **ONLY** be made after submission and receipt for authorization of the expenditure(s) and approval, regardless of the dollar amount, from CSS.

## **INVENTORY CONTROL**

Subrecipients must maintain accurate inventory records of all equipment purchased with federal, State and County funds. All furniture, property, and equipment must be reported **AND** properly identified. Further, a CSS identification tag must be affixed to all applicable inventory in an area or space where the tag is visible or easily accessible to examine as part of the inventory process. 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:

- A description of the equipment (computer, printer, desk, etc.).
- Manufacturer's serial number.
- Manufacturer's model number, federal stock number, if applicable, or other identification number.
- Funding Source of the equipment, including the subaward number.
- Percentage of federal participation in the cost of the property (cost allocation).
- Whether title vests with the County or subrecipient.
- Acquisition date.
- Per unit cost at acquisition.
- Location and use of the inventory.
- Condition of the equipment.
- Date the information was reported.
- Disposition date, sale price, loss, theft, etc.

Annually, and no later than July 31, the subrecipient must submit a copy of the inventory displaying the above information to:

Department of Community and Senior Services  
Internal Support Services Division  
3175 W. Sixth Street, Room 100  
Los Angeles, CA 90020

Failure to submit a property/equipment inventory form and tag program inventory as required, will result in contractual noncompliance. Noncompliance penalties include sanctioning, which consist of suspension or withholding of invoice payments and/or disallowed costs.

## **Protection of Subaward Property**

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

A control system must be in place to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated and reported to CSS.

Adequate maintenance procedures must be in place to keep property and equipment 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 and made available for review.

## **PROPERTY DISPOSAL:**

### **Equipment**

For and all other inventory with a residual fair market value of \$5,000 or more, the subrecipient must request disposition instructions in writing from CSS.

In the event property or equipment is deemed salvage, a sub-recipient may sell or otherwise dispose of any of equipment and inventory that has a current fair-market value of less than \$5,000 in the aggregate upon approval from the County. Salvage is defined as property and equipment, including any fixed asset or portable item of equipment, purchased with federal, State, and/or County funds (program funds) which is obsolete, broken, a safety hazard, or otherwise no longer usable. The fair-market value of salvage equipment must be determined prior to disposal.

For property with a fair market value of less than \$5,000, the subrecipient may retain, sell or dispose of the property upon receipt of approval from CSS. Disposition record must be kept for any disposal transaction in accordance with record retention requirements. To request to dispose of salvage inventory or equipment, subrecipients must submit a request in writing that includes the following information:

1. Quantity
2. Purchase date
3. Purchase price
4. Item description
5. Serial number
6. CSS identification tag number

## 7. Funding source

Disposal requests should be forwarded to:

Department of Community and Senior Services  
Compliance Division  
3175 W. 6<sup>th</sup> Street  
Los Angeles, CA 90020

All inventory records (including purchase orders) must be retained for a minimum of three years from the date of acquisition through final disposition (salvage disposal) and be available for collection and/or viewing by CSS monitors, if required. Additionally, all disposal records must be retained for a minimum of five years.

### **Supplies**

Title to supplies will vest in the subrecipient upon acquisition, unless there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other CSS funded subaward, then the subrecipient must provide those supplies to CSS.

### **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.

### **PROPERTY RECORDS RETENTION:**

All property records must be maintained from date of acquisition, through final disposition. The subrecipient must also retain those records for a period of five years from the date of their last expenditure report submitted to CSS. If any litigation, claim, or audit is started before the expiration of the five-year period, all records must be retained until all findings have been resolved and final action taken. Sub-recipients must also have maintenance procedures on file that detail how the equipment and inventory will remain in good operating order.



**ACTION:**

CSS and its subrecipients shall follow this policy. This policy shall remain in effect until such time that a revision is required.

**INQUIRIES:**

If you have any questions regarding this Directive, please contact Ellie Wolfe at (213) 738-2772 or [ewolfe@css.lacounty.gov](mailto:ewolfe@css.lacounty.gov)



PAUL GOLDMAN, Assistant Director  
Contracts and Compliance Branch

Attachment: Request for Approval to Purchase Property

**REQUEST FOR APPROVAL TO PURCHASE PROPERTY**

Date: \_\_\_\_\_

Subrecipient Name \_\_\_\_\_ Subaward No. \_\_\_\_\_

Fund Source(s) (DW, Youth, AAA) \_\_\_\_\_

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  
\_\_\_\_\_  
\_\_\_\_\_

Name and Address of Entity Where Property Will Be Located  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Authorized Subrecipient Representative

\_\_\_\_\_  
Signature

Not Approved - Reason: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Approved by Program Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Approved by Contracts Manager

\_\_\_\_\_  
Date