



Equipment Use, Management, and Disposal

2014 Annual Director Training

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Overview

- The school food authority is required to use, manage, and dispose of property acquired using federal funds pursuant to 7 C.F.R. § 3016.32 (c) – (e)
 - 7 C.F.R. § 3016.32 covers equipment
 - 7 C.F.R. § 3016.32 does not cover fixed assets (real property)
- When not specifically covered by federal law, state and local law applies

Applicable Federal Regulations

- **7 CFR § 210 NATIONAL SCHOOL LUNCH PROGRAM**
- **7 C.F.R. § 3016 UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS**
- **Office of Management and Budget (OMB) guidance cited at 2 CFR Part 225 (*Cost Principles for State, Local, and Indian Tribal Governments*), Appendix B, section 15 (*Equipment and other capital expenditures*)**

Federal Regulations

OMB guidance cited at 2 CFR Part 225 (*Cost Principles for State, Local, and Indian Tribal Governments*), Appendix B, section 15 (*Equipment and other capital expenditures*)

- OMB guidance and Department of Agriculture (USDA) regulations define as “equipment” any item of non-expendable personal property with a useful life of a year or longer and an acquisition cost which equals or exceeds the Federal per-unit capitalization threshold of \$5,000 or a lower threshold set by State or local level regulations.

Federal Regulations

- 7 CFR § 210.3 (d)
 - The school food authority shall be responsible for the administration of the Program in schools.
 - State agencies shall ensure that school food authorities administer the Program in accordance with the applicable requirements of this part; **part 245 of this chapter; parts 15, 15a, 15b, and 3016 or 3019, as applicable, of this title; and FNS instructions.**

School Food Authority Equipment Use, Management, and Disposal – Federal Law

- 7 CFR § 3016.32 (a) – (b)
 - (a) Title. Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.
 - (b) States. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. **Other grantees and subgrantees will follow paragraphs (c) through (e) of this section.**

School Food Authority - Equipment Use

Federal Law

- 7 CFR § 3016.32 (c) - Use of Equipment
 - (1) Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.
 - (2) The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate.

School Food Authority Equipment Use – Federal Law

- (3) Notwithstanding the encouragement in [§ 3016.25\(a\)](#) to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by Federal statute.
- (4) When acquiring replacement equipment, the grantee or subgrantee 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, subject to the approval of the awarding agency.

School Food Authority Equipment Management – Federal Law

- 7 CFR § 3016.32 (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements (d)(1) – (d)(5).

School Food Authority Equipment Management – Federal Law

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) 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.

School Food Authority Equipment Management – Federal Law

- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

School Food Authority Equipment Disposal – Federal Law

- 7 CFR § 3016.32 (e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made in accordance with (e)(1) – (e)(3)

School Food Authority Equipment Disposal – Federal Law

- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
- (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
- (3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

School Food Authority Equipment Use, Management, and Disposal – State Law

State Law – Kentucky Revised Statutes and Regulations

- School Board have general control and management of all school property pursuant to KRS 160.290
- School Board are required to enact school policies pursuant to KRS 160.340

School Food Authority Equipment Use, Management, and Disposal – Local Law

Local Law - Board Policy and Procedure

- Be familiar with your Board's local policies and procedures
- KSBA model policies and procedures generally include the following policies or procedures relating to equipment management:
 - School Facilities: Responsibility for School Property
 - Fiscal Management: Inventories
 - Fiscal Management: Disposal of School Property

School Food Authority Equipment Use, Management, and Disposal – Federal Law, State Law, or Local Law

- What if there appears to be a conflict between federal, state, and local law?
 - Generally in this area the laws do not conflict
 - When a conflict of laws does exist, use the most restrictive law

Questions?

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