

Child & Adult Care Food Program

Special Nutrition Programs

Responsible Division: Public Health
Responsible Branch: Nutrition Services
Current Revision Date: 02/29/2016
Next Review Date: 02/28/2018
Document ID: CACFP-PS-001
Authority: 2 CFR§200.61 Internal controls, 2 CFR §200.310 through §200.316, Property Standards

PROPERTY STANDARDS

Purpose of This Policy

The management of equipment and supplies is regulated by 2 CFR §200.310 through §200.316, Property Standards. It is the responsibility of the North Carolina Department of Health and Human Services, Nutrition Services Branch, to ensure that the Institutions who purchase equipment and supplies with Child and Adult Care Food Program (CACFP) funds observe all of the obligations and conditions established in the Property Standards and that the Institution's property management systems are tested for regulatory compliance.

The policies and procedures presented are designed to implement the requirements of the CFR, facilitate the oversight of the Institution's property management activities and protect the interest of the Child and Adult Care Food Program.

Policy Statement

It is the policy of the North Carolina Department of Health and Human Services, Nutrition Services Branch, to ensure:

- (1) Institutions adhere to the requirements set forth in 2 CFR §200.310 through §200.316, Property Standards;
- (2) Sponsoring organizations flow Property management requirements down to sponsored centers;
- (3) Property management systems are tested for regulatory compliance as part of the State Agency review;
- (4) Incidents of property loss are appropriately investigated; and,
- (5) Sufficient training and technical assistance is provided to all participating Institutions regarding applicable property standards, rules and requirements.

Who Needs to Know This Policy

All participating CACFP sponsoring organizations, child care centers, at-risk afterschool care centers, outside-school-hours care centers, emergency shelters, adult day care centers and Nutrition Services Branch Staff

Website Address for this Policy

<http://www.nutritionnc.com/snp/resource.htm>

Table of Contents

RESPONSIBILITIES.....	2
<i>NUTRITION SERVICES BRANCH, SPECIAL NUTRITION PROGRAMS</i>	<i>2</i>
<i>PARTICIPATING INSTITUTIONS.....</i>	<i>3</i>
GENERAL PROPERTY STANDARDS	3
<i>INSURANCE.....</i>	<i>3</i>
<i>PROPERTY RECORDS.....</i>	<i>4</i>
EQUIPMENT	4
<i>TITLE.....</i>	<i>4</i>
<i>USE.....</i>	<i>5</i>
<i>MANAGEMENT REQUIREMENTS</i>	<i>5</i>
<i>DISPOSITION.....</i>	<i>6</i>
PROPERTY TRUST RELATIONSHIP	6
SUPPLIES.....	6
FORMS.....	7
DEFINITIONS	7
RELATED INFORMATION	8
WHO APPROVED THIS POLICY.....	9
DOCUMENT HISTORY	9

Responsibilities

Nutrition Services Branch, Special Nutrition Programs

The Unit shall:

- a. Develop and maintain written policies, procedures and measurements to efficiently monitor and evaluate the performance of participating Institutions for the effective and accurate management and accounting of property;
- b. Facilitate the successful implementation of policy by:
 - (1) Clearly communicating property management goals and expectations;
 - (2) Establishing standardized terminology, policies and procedures; and,
 - (3) Providing training and technical assistance to Institutions regarding applicable property management rules and requirements,
- c. Develop and maintain meaningful performance measures;

- d. Perform periodic internal reviews to assess property management system effectiveness;
- e. Require that all CACFP employees are properly trained in accordance to their level of responsibility; and,
- f. Require that all Institutions entrusted with CACFP property are made aware of and understand their responsibilities.

Participating Institutions

The Institutions shall:

- a. Provide the equivalent insurance coverage for equipment acquired with CACFP funds;
- b. Establish and maintain accountable property records, internal controls, systems and financial records in connection to property funded in whole or part with CACFP funds;
- c. Provide oversight of the acquisition, storage, utilization, maintenance and disposal of property; and,
- d. Develop physical inventory plans and procedures.

General Property Standards

Institutions are required to be prudent in the acquisition and management of property purchased with CACFP funds.

Minimum requirements for an Institution's property management system:

- Property records must be maintained which includes a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two (2) years;
- A control system must exist to ensure adequate safeguards to prevent loss, damage or theft of property. Any loss, damage or theft must be investigated;
- Adequate maintenance procedures must exist to keep the property in good condition;
- If the Institution is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return; and,
- When acquiring replacement equipment, the Institution may use the equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment subject to approval by the Unit

Insurance

Institutions must, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided to property owned by the

Institution. Federally-owned property need not be insured unless required by the terms and conditions of the Federal award.

Property Records

Property records must be established by the Institution for all property having a unit acquisition cost of \$5,000 or more.

Property records should provide a complete, current and auditable trail of all transactions suitable for review or audit and will be the source document for validating the existence of an asset. At a minimum, the property records must contain:

- (1) Description of the property (noun, nomenclature)
- (2) Serial number or other identification number
- (3) The source of funding for the property (including the FAIN)
- (4) Who holds title
- (5) The acquisition date
- (6) The cost of the property (value at full cost)
- (7) The percentage of Federal participation in the project costs for the Federal award under which the property was acquired
- (8) The location, use and condition of the property, and
- (9) Disposition data including the date of disposal and sale price of the property

Documentation (original document or hard or electronic copy of original documentation) must be maintained in a readily available location, during the applicable retention period, to permit the validation of information pertaining to the asset such as acquisition cost and date. In the event historical documentation is not available, the record should be appropriately notated.

Other property records: Property records must also be established, notwithstanding the acquisition cost, when an item must be controlled and managed to protect against unauthorized disclosure, use or loss, to include information technology property such as desktops, laptops, storage devices, hard drives and mobile information devices containing personally identifiable information.

Equipment

Title

Subject to the obligations and conditions set forth in 2 CFR 200.313, title to equipment acquired under the CACFP Agreement will vest upon acquisition in the Institution. Unless a statute specifically authorizes the Federal agency to vest title in the Institution without further obligation to the Federal Government, and the Federal agency elects to do so, the title must be a conditional title.

Title must vest in the Institution subject to the following conditions:

- Use the equipment for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project;
- Not encumber the property without approval of United States Department of Agriculture (USDA) or North Carolina Department of Health and Human Services, Nutrition Services Branch; and,
- Use, manage and dispose of equipment acquired under the CACFP Agreement in accordance with 2 CFR §200.313 (c) through (e).

Use

The Institution must use the equipment for CACFP as long as needed, whether or not CACFP continues to be supported by the Federal award, and the Institution must not impede the use of the property without prior approval of USDA. When the equipment is no longer needed for CACFP, the equipment may be used in other activities supported by USDA, in the following order of priority:

- Activities under a Federal award from USDA, then
- Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

During the time that equipment is used for CACFP, the Institution must make the equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that the use will not interfere with CACFP work. First preference for other use must be given to other programs or projects supported by USDA that financed the equipment and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate.

Notwithstanding the encouragement in 2 CFR §200.307 Program income to earn program income, the Institution must not use equipment acquired with the CACFP Agreement to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by Federal statute for as long as the Federal Government retains an interest in the equipment.

When acquiring replacement equipment, the Institution 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.

Management Requirements

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under the CACFP Agreement, until disposition takes place will, as a minimum, meet the following requirements:

- Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;

- 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; and,
- If the Institution is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Disposition

When original or replacement equipment acquired under the CACFP Agreement is no longer needed for the Program or for other activities currently or previously supported by the USDA, except as otherwise provided in Federal statutes, regulations, or the USDA disposition instructions, the Institution must request disposition instructions from the USDA if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with the USDA disposition instructions:

- Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency;
- Except as provided in §200.312 Federally-owned and exempt property, paragraph (b), or if the USDA fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair-market value in excess of \$5,000 may be retained by the Institution or sold. The USDA is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the USDA's percentage of participation in the cost of the original purchase. If the equipment is sold, the USDA may permit the Institution to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses;
- The Institution may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the Institution must be entitled to compensation for its attributable percentage of the current fair market value of the property; and,
- In cases where the Institution fails to take appropriate disposition actions, USDA may direct the Institution to take disposition actions.

Property Trust Relationship

Real property, equipment, and intangible property that are acquired or improved with the CACFP Agreement must be held in trust by the Institution as trustee for the beneficiaries of the Program under which the property was acquired or improved. The USDA may require the Institution to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with a Federal award and that use and disposition conditions apply to the property.

Supplies

Title to supplies will vest in the Institution upon acquisition. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the Program and the supplies are not needed for any other Federal award, the Institution must retain the supplies for use on other activities or sell them, but must, in either case, compensate the

Federal Government for its share. The amount of compensation must be computed in the same manner as for equipment (See 2 CFR §200.313 Equipment, paragraph (e)(2) for the calculation methodology).

As long as the Federal Government retains an interest in the supplies, the Institution must not use supplies acquired under the CACFP Agreement to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute.

Forms

CAC-320 Small Purchase Summary Form

CAC-17A Invitation to Bid

Definitions

The terms used throughout this policy are defined as follows:

Agreement means a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with 31 U.S.C. 6302, 6304:

(a) Is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal awarding agency or pass-through entity's direct benefit or use;

(b) Is distinguished from a cooperative agreement in that it does not provide for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award.

(c) Does not include an agreement that provides only:

- (1) Direct United States Government cash assistance to an individual;
- (2) A subsidy;
- (3) A loan;
- (4) A loan guarantee; or
- (5) Insurance.

Disposition is a financial accounting term which refers to the disposal of an asset. This can include the sale, exchange abandonment and involuntary termination of the asset's service. Involuntary conversion is the termination of an asset's serviceable life due to an unwanted event such as fire, flood or theft.

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. See also §200.12 Capital assets, §200.20 Computing devices, §200.48

General purpose equipment, §200.58 Information technology systems, §200.89 Special purpose equipment, and §200.94 Supplies.

FAIN means the Federal Award Identification Number.

Federal Interest, for purposes of 2 CFR §200.329 Reporting on real property or when used in connection with the acquisition or improvement of real property, equipment, or supplies under a Federal award, the dollar amount that is the product of the: (a) Federal share of total project costs; and (b) Current fair market value of the property, improvements, or both, to the extent the costs of acquiring or improving the property were included as project costs.

Internal controls means the process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and efficiency of operations; (b) Reliability of reporting for internal and external use; and (c) Compliance with applicable laws and regulations.

Loss means unintended, unforeseen or accidental loss, damage, or destruction of property that reduces the expected economic benefits of the property. Loss of property does not include occurrences such as obsolescence, normal wear and tear, or manufacturing defects. Loss of property includes, but is not limited to—

- (1) Items that cannot be found after a reasonable search;
- (2) Theft;
- (3) Damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or
- (4) Destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

Personal property means property other than real property. It may be tangible, having physical existence, or intangible.

Program means the Child and Adult Care Food Program authorized by section 17 of the National School Lunch Act, as amended.

Property means real property or personal property.

Real property means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

Supplies means all tangible personal property other than those described in §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. See also §200.20 Computing devices and §200.33 Equipment.

Related Information

[2 CFR 200 - Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards](#)

[7 CFR 226 - Child and Adult Care Food Program](#)

[CACFP Policy Memo 15-21: Guidance on Competitive Procurement Standards for Program Operators](#)

[CACFP Policy Memo 15-19: Procurement Standards and Resource Management Requirements Related to Franchise Agreements](#)

[CACFP Policy Memo 14-12: Written Codes of Conduct and Performance of Employees Engaged](#)

[FNS Instruction 796-2 Rev. 4 Financial Management - Child and Adult Care Food Program](#)

[North Carolina DHHS Fiscal Non-Profit Administration Manual](#)

[USDA Guidance for Management Plans and Budgets](#)

Who Approved This Policy

Arnette Cowan, Nutrition Program Supervisor, Special Nutrition Programs for Nutrition Services Branch

Mary Anne Burghardt, Nutrition Program Supervisor, Special Nutrition Programs for Nutrition Services Branch

Document History

Origination Date: March 29, 2016

Last Amended Date: N/A