



Alabama State Department of Education

Child Nutrition Program

GUIDANCE FOR CNP EQUIPMENT



DEFINITION, PROCUREMENT, TITLE, GENERAL, USE, MANAGEMENT AND DISPOSAL REQUIREMENTS

1. **DEFINITION:** Equipment is defined as tangible, nonexpendable personal equipment having a useful life of more than one year and a purchase cost of \$5,000 or more per unit.
2. **GENERAL PROCUREMENT STANDARDS:** The School Food Authority (SFA) must use its own documented procurement procedures, which reflect applicable State and local laws and regulations if procurements conform to applicable Federal law.
3. **TITLE:** The title to equipment will vest in the SFA subject to the following conditions:
 - Use the equipment for the authorized purposes of the project during the period of performance, or until the equipment is no longer needed for the purposes of the project.
 - Not encumber the equipment without approval of the ALSDE.
 - Use and dispose of the equipment in accordance with conditions set below.
4. **GENERAL:** SFA must use, manage, and dispose of equipment acquired under a CNP agreement or grant by the ALSDE in accordance with Federal, state and local laws and procedures. SFAs must follow instructions as follows under Use, Management Requirements and Disposal.
5. **USE:**
 - Equipment must be used by the SFA 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 the CNP agreement or grant.
 - The ALSDE LEA accounting requires annual submission of equipment inventory at fiscal year closeout.
 - When no longer needed for the original program or project, the equipment may be used in other activities supported by USDA, in the following order of priority:
 - Activities under a CNP agreement or grant from the ALSDE which funded the original program or project, then
 - Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.
 - Equipment may be used for other Federal programs within the SFA, provided that it will not interfere with the work of CNP.
 - Use for non-federally funded programs or projects is permissible, but user fees should be considered if appropriate.
 - The SFA must not use CNP equipment to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by Federal regulations for as long as the Federal Government retains an interest in the equipment.

- When purchasing replacement equipment, the SFA 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. All funds generated from the sale of equipment must go into the Child Nutrition Program account.

6. **MANAGEMENT:** Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a CNP agreement or grant, until disposal takes place will, as a minimum, meet the following requirements:

- a. Equipment records must be maintained that include:
 - description of the equipment
 - serial number or other identification number,
 - the source of funding for the equipment
 - school who holds title,
 - acquisition date,
 - cost of the equipment
 - percentage of Federal participation in the project costs
 - project costs mean total allowable costs incurred under a federal award and all required cost sharing and voluntary committed cost sharing, including third-party contributions such as costs incurred by general fund for building improvements.
 - the location, use and condition of the equipment
 - any ultimate disposition data including the date of disposal and sale price of the equipment.
- b. A physical inventory of the equipment must be taken annually, and the results reconciled with the equipment records and submitted to ALSDE accounting at the close of fiscal year.
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated by the SFA, and records of the investigation must be retained for three years.
- d. Adequate maintenance procedures must be developed to keep the equipment in good condition.
- e. If the SFA is authorized to sell the equipment, proper sales procedures must be established to ensure the highest possible return.
- f. If the SFA sells the equipment, proper sales procedures must be established to ensure the highest possible return.
- g. If the SFA transfers the title of equipment to another school within the LEA, the cost center must be compensated for its attributed percentage of the current fair market value of the equipment if the value is \$5,000 or higher. This requires a journal entry to record the “sale” and maintain the integrity of the cost center accounting model. If the fair market value is less than \$5,000, no journal entry is required.

7. **DISPOSAL:** When original or replacement equipment acquired under a CNP Agreement or Grant is no longer needed for the original project or program, or for other activities currently or previously supported by a Federal Program, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must **follow** disposition instructions from the ALSDE **stated below**. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:
- SFA must determine the fair market value of equipment by attaining a reasonable and honest appraisal.
 - Equipment with a current per unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of and any funds generated go back to the CNP account.
 - Equipment with a current per-unit fair market value in excess of \$5,000 may be retained by the SFA or sold.
 - If the equipment is sold, the SFA may deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses. Records should be retained for three years after the sale.
 - If the equipment is sold, the SFA must ensure that any funds generated must go back into the Child Nutrition Program account.
 - The SFA may transfer title to the equipment to the Federal Government or to an eligible third party provided that, in such cases, the SFA Child Nutrition Program must be entitled to compensation for its attributed percentage of the current fair market value of the equipment. Records should be retained for three years after the transfer/sell.
 - In cases where a SFA fails to take appropriate disposition actions, the ALSDE may direct the SFA to take disposition actions.