PROPERTY – PURCHASING, INVENTORY, AND DISPOSAL

PURPOSE

This policy provides guidance and establishes the procedures for the purchasing, inventory, and disposal of property when utilizing Workforce Innovation and Opportunity Act (WIOA) funds. This policy applies to the Workforce Alliance of the North Bay (Alliance) and its WIOA, Title I contracted service providers.

SCOPE

Workforce Alliance of the North Bay and WIOA, Title I contracted service providers

RESPONSIBLE PARTY

Workforce Alliance of the North Bay
Regional Workforce Development Board

REFERENCES

- WIOA (Public Law 113-128)
- Title 2 Code of Federal Regulations (CFR) Part 200: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance)
- Title 2 CFR Part 2900: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Department of Labor [DOL] Exceptions)
- Title 20 CFR: "WIOA; Final Rule," Section 683.200
- Training and Employment Guidance Letter (TEGL) 15-14, Subject: Implementation of the New Uniform Guidance Regulations (December 19, 2014)
- Workforce Services Directive WSD16-05, Subject: WIOA Closeout Requirements (July 29, 2016)
- WSD16-10, Subject: Property- Purchasing, Inventory, and Disposal (March 28, 2017)
- WSD 16-16, Subject: Allowable Costs and Prior Written Approval (February 21, 2017)

DOCUMENTS

- Workforce Alliance of the North Bay Prior Written Approval Request – WANB 119
- Prior Written Approval Request – Employment Development Department (EDD) form

DEFINITIONS

Equipment - 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 (Uniform Guidance Section 200.33).

Please note, Uniform Guidance specifies that equipment includes information technology systems, computing devices, software and services (including support services). This includes fees for licensing or subscriptions to software and software support services. Even if a monthly subscription fee is under $5,000, if the total annual cost for the subscription exceeds $5,000, then prior approval must be obtained.

General Purpose Equipment - 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 (Uniform Guidance Section 200.48).

Information technology systems - computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), licensing or subscriptions to software and software support services, and related services (Uniform Guidance Section 200.58).

Intangible Property - 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) (Uniform Guidance Section 200.59).

Personal Property - property other than real property. It may be tangible, having physical existence or intangible (Uniform Guidance Section 200.78).

Property - real property or personal property (Uniform Guidance Section 200.81).

Real Property - land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment (Uniform Guidance Section 200.85).

Subrecipient – an entity to which a WIOA grant is awarded directly from the U.S. Department of Labor (DOL) to carry out a program under WIOA Title I, in this policy this entity is the Workforce Alliance of the North Bay.

Service Provider– WIOA Title I contracted service providers for One-Stop Operator, and Adult, Dislocated Worker, and Youth Services, as well as any other contracted entity providing WIOA services.

Supplies - all tangible personal property other than 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 (Uniform Guidance Section 200.94).

POLICY

I. Purchase Considerations

   A. In order to satisfy federal and state procurement requirements the following considerations must be made prior to requesting approval to direct charge WIOA funds for the purchase of property with a per unit cost of $5,000 or more. These considerations are also on the Prior Written Approval Request forms.

1. Is this purchase reasonable?
2. Why is the purchase needed?
3. Have the best products been selected?
4. What procurement method will be used?
5. Has a lease option been considered verses purchasing?
6. Does the state already provide the item, service, or software being considered for rent, purchase, or subscription?

II. Prior Approval Process

To direct charge the WIOA funds account for any property purchase (including software purchases) with a per unit cost of $5,000 or more, the following steps will occur:

A. If a service provider is making the request:

1. Complete the Workforce Alliance of the North Bay Prior Written Approval Request form (WANB 119)
2. Send the completed form to the Alliance, along with supporting documentation, no less than 35 days prior to when the requested action is to occur by email to:

   accountspayable@workforcealliancenorthbay.org

   Subject: Prior Approval Request for Property
3. The Alliance will review the request and notify the subrecipient within five days if the Alliance will be forwarding the request to the state for consideration.

   If approved, the Alliance will complete the remaining steps below.

B. Complete the Prior Written Approval Request Form provided by the EDD.

C. Send the completed form to the designated Regional Advisor, along with supporting documentation, no less than 30 days prior to when the requested action is to occur.

D. The Prior Written Approval Request and supporting documentation can be submitted to the assigned Regional Advisor electronically or through one of the methods listed below:

Mail	ATTN: (Name of Regional Advisor) Workforce Service Division, MIC 50 Employment Development Department P.O. Box 826880 Sacramento, CA 94280-0001
Courier Service / Overnight Mail	ATTN: (Name of Regional Advisor) Workforce Services Division, MIC 50 Employment Development Department 722 Capitol Mall Sacramento, CA 95814

E. The Employment Development Department (EDD) will consider the following factors in its review of the requests:

1. Is this purchase necessary and reasonable?
2. Have the best products been selected?

3. What other costs are associated with the purchase?
4. If applicable, what procurement method will be used?
5. If applicable, was a lease option considered in lieu of the purchase?

F. The Alliance will receive a formal notification from their assigned Regional Advisor providing approval or denial of their request. Written approval must be received prior to the cost being incurred. If this request is on behalf of a service provider, the Alliance will notify them when the formal notification has been received.

III. Documentation

A. Supporting documentation must be retained for all costs associated with a prior approval request. The documentation must establish that the expenditure meets the following criteria:

1. Meets the cost principles (is necessary and reasonable for proper and efficient performance and administration of the grant).
2. Is allocable to the grant based upon the benefits received.
3. Is authorized or not prohibited under state or local laws and regulations.
4. Conforms to any limitations or exclusions of cost item types or amounts, as set forth in the Uniform Guidance, federal law, federal award, or other governing regulations.
5. Is consistent with applicable policies, regulations, and procedures.

IV. Budget Plans

A. A subrecipient may occasionally submit budget plans that include a request to purchase property. However, the approval of the budget plan DOES NOT constitute approval of the purchase request. A separate request to purchase property must still be submitted and approved by the state prior to purchase.

V. Cost Sharing Information

A. When a subrecipient plans to enter into a "cost sharing" agreement for the purchase of property with a per unit purchase price of $5,000 or more, it must first obtain prior approval no matter the size of the portion it plans to contribute. During the time that the property is used on the project or program for which it was acquired, the subrecipient must also make the property available for use on other projects or programs either currently or previously supported by the federal government, provided that the property's use will not interfere with the work on the projects or program for which it was originally acquired.

B. Subrecipients must give the first preference for other use to programs or projects supported by the federal awarding agency that financed the property and must give the second preference to programs or projects under federal awards from other federal awarding agencies. Use of the property for non-federally funded programs or projects is also permissible.

C. A user fee option may also be considered, if appropriate. For example, if a subrecipient is going to replace an IT system but the other partners are unable or unwilling to cover a portion of the cost up front, the subrecipient may instead consider charging the partner a user fee anytime they use the new IT system. If they choose this option, the subrecipient should include in its prior approval request how it plans to recoup costs from its partner's use of the system in order to ensure everyone is contributing their fair share.

VI. Leasing Considerations

A. The decision to lease or buy personal property should be governed by considerations of economy. Consideration for leasing 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 under the WIOA program except in certain limited circumstances, which are outlined in the following section.

VII. Capital Assets and Construction Costs

A. The WIOA Title I funds may not be spent on the construction or purchase of facilities or buildings, or other capital expenditures for improvement to land or buildings, except with the prior written approval of the DOL Secretary. However, exceptions to that rule in which WIOA Title I funds can be used for construction include the following:

1. Meeting obligations to provide physical and programmatic accessibility and reasonable accommodations.
2. Certain repairs, renovations, alterations, and capital improvements of property.
3. For disaster relief projects under WIOA Section 170(d).
4. For YouthBuild programs under WIOA Section 171(c)(2)(A)(i).
5. For any other projects the DOL Secretary determines are necessary to carry out WIOA Section 189(c).

VIII. Intangible and Intellectual Property

A. Subrecipients of a federal award obtain the title to intangible property once it has been acquired. The subrecipient must use the property for the originally-authorized purpose and must not encumber the property without approval from DOL. Further, DOL has the right to obtain, reproduce, publish, or otherwise use the data produced under a federal award, and authorize others to receive, reproduce, publish, or otherwise use such data for federal purposes. (Uniform Guidance Section 200.315[a],[d])

B. In addition, DOL requires intellectual property developed under a competitive federal award process to be licensed under a Creative Commons Attribution license. This license allows subsequent users to copy, distribute, transmit and adapt the copyrighted work and requires such users to attribute the work in the manner specified by the recipient (DOL Exceptions Section 2900.13).

IX. Inventory Records:

A. All property should have a unique identification mark to be used for inventory purposes. The inventory records must include the following information:

1. A description of the property.
2. Manufacturer's serial number, model number, or other identification number.
3. Source of funding for the property (including the Federal Award Identification Number).
4. Whether the title is held by the subrecipient or by DOL.
5. Acquisition date (or date received, if the property was furnished by the federal government).
6. Cost of the property.

7. Percentage of federal participation in the project costs for the federal award under which the property was acquired.
8. Location, use, and condition of the property.
9. Ultimate disposition data including the date of disposal and the sale price.

B. The Alliance must take a physical property inventory and reconcile the inventory with the property records at least once every two years. The Alliance must also develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property; any loss, damage, or theft of the property must be investigated. Further, the Alliance must develop adequate maintenance procedures to keep the property in good operating order. Finally, if the Alliance is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (Uniform Guidance Section 200.313[d]).

1. Service providers with property in their possession must comply with the Alliance property inventory and control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of the property must be investigated and reported to the Alliance. Service providers must also adopt any maintenance procedures developed by the Alliance to keep the property in good operating order.
2. Service providers are not authorized to sell the property without approval from the Alliance.

C. Subrecipients must retain all property records for three years after the date of acquisition, through final disposition and then maintain the records for three years beyond that. Subrecipients must also retain those records for a period of three years from the date of their last expenditure report submitted to the Central Office of Workforce Services Division. If any litigation, claim, or audit submitted before the expiration of the tree-year period, ALL records must be retained until all litigation, claims or findings involving the records have been resolved and final action taken.

X. Disposition of Property

A. Service Providers must not dispose of property without first receiving authorization from the Alliance.

B. For equipment with a residual fair market value of $5,000 or more, subrecipients of WIOA funds must use the following guidelines (Title 29 CFR Part 97.32):

1. The subrecipient may use the equipment 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.
2. If the equipment is no longer needed by the original program/project, the equipment may be used in other activities currently or previously supported by a federal agency.
3. If the equipment is no longer needed by the program/project or for other activities currently or previously supported by a federal agency, the recipient may retain or sell the equipment and reimburse the state for the federal share of the equipment. The compensation due to the state is determined by multiplying the fair market value or proceeds from the sale by the percent of WIOA federal funds used in the equipment purchase. If only WIOA federal funds were used of the purchase, then the percentage would be 100 percent. If both WIOA federal and local funds were used in the purchase, then use the WIOA federal funds percentage for the calculation. Actual

and reasonable selling and handling expenses ($500 or 10 percent of the proceeds of the sale, whichever is less) may be deducted from the proceeds of the sale. The balance of WIOA federal funds must be submitted within 30 days to the address provided below. The name of the entity, subgrant number, year of appropriation, and funding stream must be provided when submitting the funds. These returned funds will be sent to the federal government once the state receives the funds.

4. Funds received from the sale of equipment should be sent to the following address:

   Attn: Cash Control Unit
   Fiscal Programs Division, MIC 70
   Employment Development Department
   P.O. Box 826217
   Sacramento, CA 94230-6217

5. For property with a fair market value of less than $5,000, subrecipients may retain, sell or dispose of the property and nothing needs to be reported to the State. A disposition record must be kept for any transaction in accordance with WIOA record retention requirements.

XI. Calculation of “Fair Market Value”:

A. 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:

1. Auctions
2. Classified advertisements for similar used items
3. Dealers
4. Licensed appraisers

B. For automobiles, trucks, and vans, the standard authority on the value of used vehicles is the Kelley Blue Book.

POLICY UPDATE HISTORY

April 10, 2019 – New Policy

INQUIRIES

Questions regarding this policy can be sent to Operations Unit.