



# Professional Development: Inventory Management Training For Federal Grants



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# Framework



- Tell my why
- Give me... more reasons why
- Definitions and regulations
- Capitalization
- Components of property records
- Tagging and physical inventory
- Disposal
- Common findings
- Questions and answers



# Tell me Why...



Should we maintain an inventory management system for federal grants?



- Accountability and transparency
- Safe-guarding the LEA's and taxpayer investments
- Ensuring LEA operations through the use of working equipment

# Give me... More Reasons Why...



We should maintain an inventory management system?



- Required by [2 CFR 200.313](#) **(Equipment)**
- Required by [Idaho Code section §67-5746](#)

# 2 CFR 200.313 Equipment



- **(b) General.**

A state must use, manage and dispose of **equipment** acquired under a Federal award by the state in accordance with state laws and procedures. Other non-Federal entities must follow [paragraphs \(c\)](#) through [\(e\)](#) of this section





# How Do We Define **Equipment**?



## 2 CFR 200.1 Definitions

- 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 LEA for financial statement purposes or \$5,000
- Useful life of more than one year
- Computing devices less than \$5,000 should be treated as equipment for internal control purposes

# What are **Supplies**?



## 2 CFR 200.1 Definitions

- Tangible personal property other than those described in Uniform Guidance 2 CFR Part 200.1 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the LEA for financial statement purposes or \$5,000, regardless of the length of its useful life.

# Capitalization Level – Say What???



- Capitalization level is a threshold established by the LEA
  - For example, the LEA establishes a threshold of \$500 as capitalization level for equipment
    - The acquisition cost of a computer or laptop is \$450 per item
      - It is not required to inventory the item (unless your LEA policy requires)
- However, small, attractive items and/or easily pilferable items should be inventoried and tracked to ensure that property losses do not occur. You want to know where your property is!**



# What Must Property Records Include?



## 2 CFR 200.313 (d) Equipment

- Description of property
- Serial or other unique identification number
- Funding source including federal award identification number (FAIN)
- Title holder (2 CFR 200.313(a)) (ownership of equipment)
- Acquisition date and acquisition cost
- Percentage of Federal participation in the project costs for the Federal award under which the property was acquired
- Location of property
- Use and condition of property
- If applicable, disposal date and sales price of the property when it was disposed of
- Date of annual inventory audit



# Tagging of Equipment



- Tags should identify
  - the owner of the equipment (e.g. ABC School District, DEF School)
  - the location of the equipment (e.g. Resource Room)
  - funding source (e.g. IDEA Part B, FAIN)
  - unique identifier (which references to your inventory management system)

**→ Tags should not be easily removable! The goal of tagging is also to identify where the equipment should be returned to.**



# Frequency of Physical Inventory



## 2 CFR 200.313 (d) Equipment

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years

**→ But Idaho code and the SDE require annual physical inventory procedures**

**→ This is a great opportunity to ensure that your equipment is available and in working order**



# Disposal of Equipment



## Equipment [2 CFR 200.313](#) (e)

- Disposal through sale, transfer to another federal program, or otherwise disposed of
- Over \$5,000 fair market value per item
  - Keep or sell, but must pay a share based on the percentage of federal ED participation at initial acquisition
- Under \$5,000 fair market value per item
  - May keep, sell, or dispose of it with no obligation to ED

# Disposal of Supplies



## Supplies [2 CFR 200.314](#)

- Transfer to another federal program
- Over \$5,000 fair market value per item
  - Keep or sell, but must pay a share based on the percentage of federal ED participation at initial acquisition
- Under \$5,000 fair market value per item
  - May keep, sell, or dispose of it with no obligation to ED



# Fiscal Monitoring Findings



- LEAs often have great inventory **policies** in place
- However, the required **components** of the inventory management systems aka the inventory tracking sheet are not met
- Common shortfalls
  - Incomplete property records **missing data points**
- Annual **physical inventory** is not performed



# Questions and Answers



- During your inventory of grant-purchased equipment, you discover a piece of equipment is missing. You are in compliance as long as you update the inventory records to indicate that the equipment went missing.
  - Answer: False (2 CFR §200.313(d)(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 must be investigated.”
- Your policies and procedures should include safeguards pertaining to loss prevention. What would your investigation look like when you discover missing equipment?



# More Questions and Answers...



- Pursuant to EDGAR an inventory of equipment purchased in whole or in part with Federal funds must be conducted:

- Answer: Once every two years (2 CFR §200.313(d)(2)); ); however, the State requirement is more restrictive.

→ Therefore, the State requirement must be followed.

“A physical inventory of the property must be taken and the results reconciled with the property records at least yearly”; “...A physical inventory of the property must be taken and the results reconciled with the property records at least once a year.”

# Even More Questions and Answers...



- Our Special Education department has all this fancy equipment but they will not let us use it, even when the equipment is not being used by SPED.

- Answer: [2 CFR 200.313 \(c\)\(2\)](#) allows for usage for activities not pertaining to the grant under which the equipment was purchased, ranked by priority:

“First preference for other use must be given to other programs or projects supported by Federal awarding agency 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.”

# Even More Questions and Answers... Cont.



→ What would this look like? Your LEA could create a check-out sheet based on priority ranking. For example, as the equipment was purchased through IDEA grant funds, the usage priority could look like this:

→ IDEA Part B

→ ESSA Title I-A

→ Non-Federal Program, e.g. IRI



→ Note: This also applies for other federal funding, for example, if the equipment was purchased with Title funds.