



FACT SHEET

INVENTORY MANAGEMENT SYSTEM



As a pass-through entity for Federal Education funds, the Nebraska Department of Education (NDE) has prepared this **Inventory Management System Fact Sheet** to assist Federal program subrecipients in management of equipment purchased in whole or in part using Federal funds.

This information is being provided by the NDE as general compliance guidance only. Subrecipients of Federal funds should refer to the full text of the regulations which can be found at <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-313.pdf> when developing inventory policies and procedures.

Subrecipients of Federal funds are solely responsible for meeting all applicable Federal regulations.

Federal Education Grants Management requires recipients to have in place an inventory management system to track items purchased with federal funds. The specific Education Department General Administrative Regulations (EDGAR) thresholds apply to recipients EANS federal funds. In essence, the cost principles contained in Office of Management and Budget (OMB) Circulars A-21, A-87 and A-122 require expenditures of federal funds to be-at a minimum-necessary, reasonable, allocable to the program, allowable under the program and legal under state and local law. It is nearly impossible to demonstrate that items purchased with federal funds comply with these cost principles, and benefit the applicable program, if the items cannot be tracked and located by the federal grant recipient.

“if a recipient purchases an item with federal funds, the recipient is best protected against adverse audit or monitoring findings if it has a system to track the item, regardless of its value.”

I. Elements of an Equipment Inventory Management System

All recipients of federal education funds should be familiar with the specific requirements outlined in EDGAR, because U.S. Department of Education (U.S. ED) monitors appear to be conceptually applying EDGAR equipment standards as an internal control “yardstick” when determining whether expenditures meet federal cost principle requirements even where the EDGAR standards may not formally be required. Moreover, the U.S. Department of Education Office of Inspector General (OIG) often issues findings citing agencies for having weak internal controls when property purchased with federal funds is lost or not readily accounted for through an inventory system.

A. Definition of Equipment

As described in EDGAR Section §80.3, for state and local government, “equipment” is tangible, nonexpendable personal property that has a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. State requirements also have set a \$5,000 threshold for equipment. State and local governments may set a lower threshold for defining equipment, but not a higher one. If a state or local government set a lower threshold, such entities, as well as other grantees and subgrantees, must use that lower number for defining equipment. EDGAR requires that grantees and subgrantees maintain controls over equipment through a compliant inventory management system.



Tip #1

Be sure that any equipment purchased with federal grant funds is being used to benefit the program that provides the funding in accordance with the relative benefit received. For example, if the EANS Education program paid 100 percent of the cost of computers, then the computers must be used exclusively to benefit the EANS Education program.

B. Property Records

Grantees and subgrantee must keep very specific records to document the location and use of equipment purchased with federal funds. A grantee or subgrantee that cannot identify each piece of equipment purchased with federal funds for an auditor risks an audit finding even if the purchase was allowable under the relevant federal program.

In accordance with 2 CFR 200.313(d)(1) property records (equipment inventory) must include the following:

- Description of the Property.
- Serial number or other identification number.
- Source of funding (including the FAIN).
- Who holds the title to the property.
- The acquisition date.
- Cost of the property.
- Percentage of Federal participation in the project cost for the Federal Award.
- Location of property.
- Use of property.
- Condition of property.
- Ultimate disposition data (if applicable).

To facilitate proper tracking of property, grantees and subgrantees should tag any piece of equipment, as well as small and attractive items (such as laptops, printers, cameras and personal digital assistants) that cost less than the equipment threshold but are easily stolen or damaged. The asset tag should be affixed to the equipment in a location that can be easily read. The asset tag should have a unique inventory number so the equipment can be tracked by the asset tag number. The funding source (i.e. the federal or state program or local revenue source) used to purchase the equipment should be recorded. Recording the fund source used in purchasing the equipment is an effective mechanism for demonstrating proper recordkeeping when the Nebraska Department of Education monitors or Nebraska State auditors conduct on-site visits.

Tip #2

Taking routine physical inventories and comparing the results to property records is a sound internal control. But it is not sufficient to conduct an inventory and then put the list away until the next time. Your inventory list should be continuously updated to reflect any change in the location or status of an item, so the item can be located on demand.

c. Control System

As part of an inventory management system, grantees and subgrantees must develop a control system to ensure that adequate safeguards are in place to prevent loss, damage or theft of the property. Any loss, damage or theft must be investigated by the grantee or subgrantee.



D. Physical Inventories

Grantees and subgrantees must take a physical inventory of their equipment annually and must reconcile the results of the physical inspections to their records. If any equipment is missing, the grantee or subgrantee must follow up.

E. Adequate Maintenance of Equipment

Grantees and subgrantees must ensure adequate maintenance procedures to keep equipment purchased with federal funds in good condition. Assuming they are necessary, reasonable and properly allocated, maintenance costs can generally be charged to federal grants if they:

- keep property in efficient operating condition;
- do not add to the permanent value of the property or appreciably prolong its recommended life; and
- are not otherwise included in rental fees or other charges for space.

Tip #3

It is a good idea for grantees and subgrantees to:

- *maintain written procedures explaining how they value equipment.*
- *ensure employees are trained on these procedures; and*
- *maintain sufficient documentation to support a valuation.*

F. Disposition of Equipment

Section §80.32(e) of EDGAR establishes specific rules for disposing of equipment, depending on what the equipment will be used for and the value of the equipment. When a grantee or subgrantee no longer needs equipment for the original program for which it was purchased, the grantee or subgrantee may use the equipment for other programs that are currently, or were previously, supported with federal funds. If such a disposition is made, the transfer must be recorded in the property management system.

If there are no federally supported programs that need the equipment, the disposal rules depend on the current fair market value of the equipment. If the equipment has a current fair market value of less than \$5,000, the SEA may keep the equipment, sell it or otherwise dispose of it with no further obligation to the U. S. Department of Education. If the equipment has a current fair market value in excess of \$5,000, the grantee or subgrantee may keep or sell the equipment but must pay the USED a share based on the percentage of federal participation in the initial acquisition.

G. Supplies

Supplies are addressed in Section §80.33 of EDGAR. Supplies are any tangible personal property that is not considered equipment. Generally, supplies do not cost much money and are used fairly quickly because they are perishable items (e.g., pens, paper, and printer toner). As a result, supplies do not have to be recorded in an inventory management system and do not require a formal inventory annually; however, all grantees and subgrantees must maintain enough information about their purchases to prove all costs are necessary, reasonable and allocable.

If a grantee or subgrantee has unused supplies that, in aggregate, have a fair market value of more than \$5,000 at the termination of the grant award, the grantee or subgrantee should use the supplies for another project that is supported with federal funds. If the supplies are not needed for another federally supported project, the grantee or subgrantee must compensate the USED for its share of the value of the supplies.



H. Functions of an Inventory

- Serves as a needs determination to assist LEAS in determining if additional materials and supplies need to be purchased in order to implement the district's educational programs.
- Surveys the property in storage to determine if it is being (a) held for disposition, (b) in the process of production for disposition, or (c) to be consumed/utilized in the implementation of the district's educational programs.
- Tracks the property undergoing repair. Procedures include a process for repair and a work-in-process tracking system.
- Provides an inventory disposition process for the loaning and issuing of equipment, as well as the disposal process.

I. Definitions –Equipment

2 CFR Part 200.33

- In accordance with 2 CFR 200.1, 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.
- Nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.
- Grantee may also use its own definition of equipment as long as the definition would at least include all equipment defined above.

2 CFR Part 200.94

- All tangible personal property other than equipment
- See also the definitions included in 2 CFR 200.1 for; Capital assets, General purpose equipment, Information technology systems, Special purpose equipment, and Supplies.

2 CFR Part 200.94

- Computing devices
 - Machines used to acquire, store, analyze, process, public data and other information electronically
 - Includes accessories for printing, transmitting and receiving or storing electronic information

J. Definitions - Pilferable (Walkable) Items

- In addition, items defined as equipment per 2 CFR 200.1, items considered to be pilferable items and purchased with Federal funds must be included on any inventory report regardless of the cost. Pilferable items are defined as those items that may be easily lost or stolen. Pilferable items include, but are not limited to cell phones, iPads, tablets, iPods, graphing calculators, software, projectors, cameras, camcorders, DVD players, computer equipment, and televisions.



K. Requisition of Equipment

- Determine the need and use of equipment.
- Purchases made in accordance of the federal regulations.
- Equipment must be reasonable and necessary.
- Follow internal control procedures for written SEA prior approval prior to and receiving of equipment.
- Proper labeling of equipment.
- Issuing equipment to proper location.

L. Entry of Information into Inventory Records 2 CFR 200.313(d)(1)

Inventory Records should include:

- Description
- Serial Number/Identification Number
- Funding Source and Percentage of Source (including FAIN)
- Title
- Vendor
- Acquisition Date and Unit Cost
- Location
- Use (Student Instruction, Professional Development, Parent Involvement, etc.)
- Condition
- Disposition (including sale price, if applicable)

Sample EANS Education Program Inventory ABC School

Description	Vendor	Purchased Date	Purchased Price	Dated Included on Inventory	Identification		Funding/Title			Specific Location	Use of Equipment	Condition	Disposition Data	Date of Disposal	Physical Inventory Initial and Date
					Serial#	Decal #	Grant	% funded	FAIN						



M. Use of Equipment

2 CFR 200.313(c)(1) and (2)

- Equipment must be used by the non-federal entity (LEA) 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 federal award.
- When no longer needed, may be used in other activities with the following priority:
 - Projects supported by federal awarding agency
 - Project funded by other federal agencies
- When used it may be shared (according to the above priorities) provided such use will not interfere with work on the original projects/programs

2 CFR 76.661

- Exception – Private Schools

N. Off-Site Use of Equipment

- Written procedures to ensure effective tracking system for equipment used off-site.
- Possible components of the procedures:
 - Date signed out,
 - Purpose of use,
 - Person reasonable, and
 - Condition of equipment upon return.

District/School Name
Off-site Equipment Usage

Date Checked Out	Purpose of Use	Equipment Checkout	Person Responsible	Date Returned	Condition of Equipment Upon Return



O. Physical Inventory

2 CFR 200.313(d)(3)

- Physical inventory shall be taken and results reconciled at least once every two years.
- States may require standards above and beyond federal law. Ex: Annual physical inventory checks.
- Physical inventory must be signed off by the person conducting the check.
- Purpose of physical inventory is to verify
 - The existence of equipment.
 - Current utilization of equipment – is equipment being used for intended purpose.
 - The continued need of equipment.
 - The condition of the equipment.
- If an LEA cannot locate an item purchased with federal funds, it is difficult to demonstrate the item was necessary for the performance or administration of the grant, reasonable, or benefitted the program that paid for the item.

P. Equipment Use in Targeted Assistance Programs

- Equipment purchase for TA program must be reasonable and necessary to implement as properly designed program for Title I, Part A participants.
 - Used with targeted assistance students, based on needs assessment.
- The standards will have been presumed to be met and the use of Title I, Part A equipment in non-Title I, Part A activities is proper if use does not exceed 10-percent of the time the equipment is used in Title I, Part A activities.

Q. Equipment Use in Participating Private Schools - Regulation

Section 1120(d)(1) of ESEA

- Control of the Title I funds, and the ownership of the materials and equipment, purchased with Title I funds for private school shall remain with the LEA, and the LEA shall administer the funds, materials, equipment and property.
- LEA responsibility rather than the responsibility of the private school.

R. Equipment Use in Participating Private Schools – Process

District officials will:

- Complete the requisitions forms for ordering materials and/or equipment.
- Have the materials and equipment delivered to the LEA.
- Sign for the delivery of the materials and/or equipment.
- Label the equipment according to funding source to include the fiscal year of purchase and property of the respective LEA, SEA, public or private entity.
- Deliver the materials and/or equipment to the nonpublic school.
- Store materials and equipment in a secure location when not in use.
- Maintain an inventory of all materials, equipment, and property purchased with program funds for use with program students at nonpublic schools. The inventory shall contain the same requirements for any equipment purchased with program funds. Ex. Title I funds for use with eligible Title I nonpublic students for equipment purchased with Title I, Part A funds.
- Inventory must be updated as equipment items are purged, or new purchases are made.
- Equipment items purchased with federal funds are to be identified and physically marked as such.



- Adequate safeguards must be in place related to the loss, damage, or theft of the equipment. Any loss, damage, or theft of the equipment. Any loss, damage, or theft should be investigated and fully documented.
- Adequate maintenance procedures should be implemented to keep the equipment in good condition.

s. Disposition of Equipment

2 CFR 200.313(e)

- Federal Programs Other than the EANS Program
 - When original or replacement equipment acquired with federal funds is no longer needed for the original project or program, the equipment may be retained, sold or disposed, if it is not needed in any other like or federally funded project or program.
 - Must follow disposition rules:
 - Nonfederal entity must request disposition instructions from the federal awarding agency if required by the term of the grant.
 - Equipment items with an acquisition cost/current per unit fair market (explanation is provided in Definitions section) value of **less than \$5,000** and are **more than three years old** may be retained, sold or disposed, with no further obligation to the NDE.
 - The disposition of such items should be so noted on the equipment inventory maintain by the LEA.
 - Otherwise, may be retained, sold or otherwise disposed as follows:
 - Over \$5,000 – pay federal share
 - If equipment is sold federal awarding agency may permit non-federal entity (NDE) to deduct and retain \$500 over 10-percents of the proceeds for selling and handling instructions.
 - Forward a check made payable to the NDE in the amount of the state’s share. The amount is then returned to the state’s program allocations fund.
 - Under \$5,000 – no accountability (still must formally dispose).

A. Management Requirements

2 CFR 200.313 (D)

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

- (1) 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.
- (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 must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.



B. Disposition of Equipment

2 CFR 200.313(e)

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T. Loss, Damage or Theft of Equipment

2 CFR 200.313(d)(3)

- Control system for adequate safeguards to prevent loss, damage, or theft
 - Process for investigation of any loss, damage, or theft.
 - Indicate the proper documentation needed to notify and report loss, damage, or theft.

- Types of Controls
 - Locks or security camera (for particularly valuable or vulnerable items).
 - Access controls to warehouses to limit entry by unauthorized personnel.
 - Use of logs or sign-in sheets for certain items or property, for example iPads, laptops, cameras, or projectors.
 - Procedures for promptly entering items received into the inventory management system.

Report of Lost, Damaged or Stolen Property
ABC School District

(Report for Arson, Burglary, Vandalism, Theft, Unexplained Loss, and Failure to Return)

School/Department: _____

Date Loss Discovered: _____

Who Discovered Loss: _____

Reported to Police (Yes or No): _____

Name of Police Department: _____

Date of Report: _____ Police Complaint Number: _____

Briefly Explain Circumstances:

Complete Information Below

Quality	Description of Equipment	Serial Number	Decal or Tag Number

Signature

Date

REPORT OF LOST, DAMAGED OR STOLEN PROPERTY
(Report on Arson, Burglary, Vandalism, Theft, Unexplained Loss, and Failure to Return)

Instructions: Please complete this form and forward it to the Title I Office. A police report is required in the event of theft or burglary

School/Department: _____ Date of Loss/Disposal: _____

Principal: _____ Date Reported: _____

Who was notified of Event? _____ Type of event reported?

Principal
 School Resource Officer
 Police
 Other (Specify): _____

Disposal - Broken
 Disposal - Obsolete
 Burglary/Attempted Burglary*
 Larceny*
 Theft by Taking*
 Mysterious Disappearance
 Destroyed by Fire
 Other (Specify): _____

Description of Items:

Quantity	Asset Description	Serial No.	LEA Tag #	Cost Per Unit	Total Amount

←----- For Burglary/Larceny/Theft Events Only -----→

Who discovered the loss of equipment, etc.?

Who closed the building prior to the violation?

Who first opened the building after the violation?

What measures were taken to safeguard the property?

Alarm system activated
 In locked room
 In locked closet
 In school vault
 Other (Specify): _____

Location of the stolen/damaged property:

Classroom (specify): _____
 Portable/Trailer
 Media Center
 Office (specify): _____
 Kitchen
 Other (Specify): _____

Comments:

Signature

Date



u. Monitoring Considerations

- Is equipment a program allowable purchase?
- Is equipment purchased reasonable and necessary?
- What accountability system is in place for purchasing equipment and keeping an inventory?
- Does the equipment policy/procedures address the following?
 - Definition of equipment
 - Purchasing procedures
 - Use of equipment
 - Maintenance of equipment and inventory
 - Physical inventory
 - Safeguard of inventory
 - Disposal of equipment

v. Monitoring of Equipment

- LEAs may be scheduled to have an on-site monitoring of inventory.
 - Scheduling does not necessarily follow monitoring schedules, may be based on equipment expenditures
 - Monitoring conducted by your Program Area Specialist
 - LEAs will provide
 - Inventory Management Procedures
 - Actual inventories for Selected Schools
 - Physical Inventories for Selected School
- Common Findings
 - Failure to maintain an equipment inventory
 - No physical inventory conducted
 - If no signature and date – Inventory essentially no conducted!
 - Insufficient, outdated or no inventory management procedures
 - Disposition Procedures
 - Theft/Loss Reported Procedures
 - Transfer/Repurposing of Equipment Procedures
 - Lack of sufficient documentation to support purchases
 - Alignment of purchases with school's needs assessment
 - Quantities purchased deemed reasonable/necessary
 - Mobile computer carts in storage/no record of check-out
 - Unopened cases of equipment (some with 1/4" dust!)
 - Alternative use of equipment
 - "Repurposing" due to various factors is possible
 - Equipment transfer must be documented
 - Instances of fraud, waste, and abuse
 - Allowable purchases used in unallowable ways
 - Missing items unaccounted for

Definitions (2 CFR 200.1)

Non-Federal entity means a state, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or a **subrecipient**.

Federal Compliance Monitoring

As part of the NDE annual Federal Compliance Monitoring program, staff from the Office of Budget & Grants Management Grants Compliance Section may review inventory records and overall management of equipment purchased with Federal funds. The Grant Compliance Auditors will use the requirements of 2 CFR 200 and other applicable Federal Codes and requirements when completing such reviews.

Technical Assistance

Please feel free to contact the Grants Compliance staff should you have any questions relative to the contents of this document.

Tom Goeschel

Director of Grants Compliance
Office of Budget & Grants Management
500 S. 84th St., 2nd Floor
Lincoln, NE 68510-2611
P: (402) 890-8912
E: tom.goeschel@nebraska.gov

Merci Suarez

Grants Compliance Specialist
Office of Budget & Grants Management
500 S. 84th St., 2nd Floor
Lincoln, NE 68510-2611
P: (402) 937-3241
E: merci.suarez@nebraska.gov

This document is not a substitute for the advice of your own attorney and/or law firm licensed to practice law in the state of Nebraska. In reading and applying Federal law, the NDE recommends LEAs seek and obtain the advice of counsel with questions of application, interpretation, and/or to ensure that use of this information is appropriate to your particular situation.

