

# **GCCSA Inventory Management Procedure: Equipment and Supplies Purchase with Federal Funds**

All funds awarded directly or indirectly through any federal grants or subsidy programs shall be administered in accordance with this policy and any administrative procedures adopted implementing this policy.

1. Equipment and supplies acquired (“property” as used in this policy) with federal funds will be used, managed and disposed of in accordance with applicable state and federal requirements.
2. Property records and inventory systems shall be sufficiently maintained to account for and track equipment that has been acquired with federal funds.
3. In furtherance thereof, the following minimum standards and controls shall apply to any equipment or pilferable items acquired in whole or in part under a federal award until such property is disposed in accordance with applicable laws, regulations and Board of Trustees policies:

A. “Equipment” and “Pilferable Items” defined: For purposes of this policy, “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 \$5,000, or the capitalization level established by the District for financial statement purposes. “Pilferable items” are those items, regardless of cost, which may be easily lost or stolen, such as cell phones, tablets, graphing calculators, software, projectors, cameras and other video equipment, computer equipment and televisions.

B. Records: The Director shall maintain records that include a description of the property; a serial number or other identification number; the source of the funding for the property, who holds title; the acquisition date; the cost of the property; the 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 disposition and sale price of the property.

C. Inventory: No less than once every two years, the Director shall cause a physical inventory of all equipment and pilferable items to be taken and the results reconciled with the property records.

D. Control, Maintenance and Disposition: The Superintendent shall develop administrative procedures relative to property procured in whole or in part with federal funds to:

1. prevent loss, damage or theft of the property; any loss, damage or theft must be investigated;
2. maintain the property and keep it in good condition; and
3. ensure the highest possible return through proper sales procedures, in those instances where the District is authorized to sell the property.

### **Use of Equipment**

In accordance with 2 CFR 200.313(c) equipment must be used by the Gate City Charter School 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, and the non-Federal entity must not encumber the property without prior approval of the Federal awarding agency. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency (in most cases this would be USDOE), in the following order of priority:

1. Activities under a Federal award from the Federal awarding agency which funded the original program or project, then
2. Activities under Federal awards from other Federal awarding agencies.

During the time that equipment is used on the project or program for which it was acquired, the Gate City Charter School must also make equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. 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. However, Gate City Charter School must not use equipment acquired with the Federal award 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, Gate City Charter School 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.

### **Disposition/Disposal of Equipment**

In accordance with 2 CFR 200.313(e), when original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency Gate City Charter School must request disposition instructions from the Federal awarding agency if required by the terms and

conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

1. 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.
2. Except as provided in 2 CFR 200.312 Federally-owned and exempt property, paragraph (b), or if the Federal awarding agency 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 non-Federal entity or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.
3. Gate City Charter School may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, Gate City Charter School must be entitled to compensation for its attributable percentage of the current fair market value of the property.
4. In cases where a non-Federal entity fails to take appropriate disposition actions, the Federal awarding agency may direct Gate City Charter School to take disposition actions.

### **Supplies**

2 CFR 200.1 "Supplies" defines supplies as all tangible personal property other than those defined in the definition of "Equipment". A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the Gate City Charter School for financial statement purposes or \$5,000, regardless of the length of its useful life. Federally Purchased Supply Management Requirements In accordance with 2 CFR 200.314(a), the title to supplies will vest in the non-Federal entity upon acquisition. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, Gate City Charter School 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. Also, in accordance with 2 CFR 200.314(b), as long as the Federal government retains an interest in the supplies, Gate City must not use supplies acquired under a Federal award 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.

## **Inventory Management Procedures**

Items to be funded Federally are reviewed by the Director/ Program Manager and are to be deemed activities necessary, reasonable, allocable, and allowable, including those involving equipment and supplies. Following requisition the maintenance of an inventory of equipment is an essential component of internal control. The components of inventory management include procedures for equipment use, equipment management requirements, equipment disposition and supplies disposition.

## **Acquired Equipment Inventory Procedure**

### **Requisition of New Federally-Funded Equipment**

Inventory management procedures begin with a process of determining the need for, and use of the equipment. All equipment purchased with federal funds must be in accordance with the regulations of the funding source.

All technology equipment acquired with a value of \$150 or more, and all other equipment with a value of \$5000 or more that has a life of over 5 years is to be given an inventory number and recorded in the Equipment Inventory

### **Federally-Funded Equipment Inventory Procedures**

1. All equipment should be removed from the shipping container and inspected to be sure all parts have been received and are in good condition.
2. All equipment should be properly tagged and labeled for inventory tracking. The label should differentiate federal equipment from general fund equipment.
3. The school shall retain such property in a program as long as there is need for such property to accomplish the purpose of the program for which it was purchased.
4. The inventory must be current and available for review and audit.

### **Inventory Requirements**

The following information must be included in the recipient's inventory records:

1. A description of the property.
2. A serial number, model number, or other identification number.
3. The funding source Note: Equipment purchased with federal, state or other grant funds shall be identified to indicate federal ownership by specific federal program.
4. The source of property (vendor).
5. The acquisition date and unit cost.
6. The percentage of the equipment cost paid with federal funds.
7. The current location of the equipment.
8. The condition of the equipment (e.g., good, fair, poor).
9. The date the information was reported on the inventory.

10. All pertinent information on the final transfer, replacement, or disposition of the equipment (including the date of disposal, sale price of the equipment, or donation amount).

#### **Inventory Maintenance Procedure:**

1. Inventory must be updated as equipment items are purged or new purchases are made.
2. Equipment items purchased with federal funds are to be identified and physically marked as noted above.
3. Adequate safeguards must be in place related to the loss, damage, or theft of the equipment. Any loss, damage, or theft should be investigated and fully documented.
4. Adequate maintenance procedures should be implemented to keep the equipment in good condition.
5. A physical inventory of equipment items must be taken and the results reconciled with the inventory records at least once every two years.

#### **Physical Inventory**

A physical inventory of equipment purchased with federal or state funds shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, location and condition of the equipment. Documentation shall be maintained of the date and the person conducting the physical inventory. Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

#### **Disposition of Federally Funded Equipment**

The LEA should establish procedures for determining the lifecycle of the equipment, as well as a depreciation methodology.

1. 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.
2. Not encumber the property without approval of the Federal awarding agency or pass-through entity.
3. 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. (c) Use. Equipment must be used by the non-Federal entity 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, and the non-Federal entity must not encumber the property without prior approval of the Federal awarding agency. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency [bold added], in the following order of priority:

- a. Activities under a Federal award from the Federal awarding agency which funded the original program or project, then
- b. Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use Federal and State Inventory Procedures will not interfere with the work on the projects or program for which it was originally acquired. 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. [CFR 200.313]

### **Equipment Safeguards**

The following procedures are set in place to ensure adequate safeguards to prevent loss, damage, or theft of federally-funded property.

1. Locks and/or security camera (for particularly valuable or vulnerable items). Separate, locked storage for the majority of Federally-funded equipment.
2. Use of logs or sign-in/out sheets for certain items of property: for example, iPads, laptops, cameras, projectors.
3. Required prompt entering of items received into the inventory management system.
4. Process for investigation of any loss, damage and/or theft of equipment. Any loss, damage and/or theft of equipment purchased with federal, state or grant funds should be reported to the Director. The Director shall maintain documentation of notification of loss, damage or theft of equipment and, if appropriate, any police reports.

### **Equipment Maintenance Procedures**

Federally-funded property may not be used for any purpose other than to fulfill the requirements of the awarding activity. Gate City must provide the care necessary to maintain the equipment in the condition it was received. The school should maintain records of any inspections, discovered deficiencies, and maintenance actions.

Legal References: 2 C.F.R. Part 180 2 C.F.R. Part 200 200.305; 200.313(d); 200.317-.326; 200.403-.406; 200.413(a)-(c); 200.430; 200.431; 200.458; 200.474(b) 200 Appendix II 7 CFR Part 210; 210.16; 210.19; 210.21; 215.14a; 220.16 Title 2 CFR Part 200