

Inventory Requirements on Federal Awards

How exciting!

I'll start us out with a quick poll

What is your comfort level with Inventory requirements?

Do you feel comfortable talking about your process?





Why keep talking about this?

2 CFR 200.302(b)(4) requires that any grant recipient and subrecipient have a financial management system that maintains control over and accountability for all funds, property and assets in order to ensure that they are used only for authorized purposes.

2 CFR 200.313(c)-(f) requires that you create and maintain inventory records for equipment and property, use of the equipment or property is exclusive* to the purchasing program, and that you follow specific disposition procedures.

We find it a lot!

In the previous two years of monitoring visits for IDEA, 78% of districts had insufficient inventory records or processes. ESEA monitoring visits also turn up inventory findings on a regular basis.

Inventory processes are required for both IDEA and ESEA grants, so if one program isn't up to standard, both of them probably deserve attention.





What can happen if inventory isn't kept?

You might find that expensive items will occasionally grow legs and leave unnoticed.

2 CFR 200.339 authorizes the corrective actions that the state can use for noncompliant districts or LEAs. Upon issuing a finding, the SDE may:

- Disallow costs for part or entirety of the noncompliant activity.
 - District/ LEA reimburses the state for the purchase price of the items that weren't inventoried.
- Withhold payments from federal awards until corrective action plan is completed.
 - Your GRA won't pay out until we see that the problems have been addressed.
- Suspend or terminate the award.

Noncompliance will generally be treated as a training opportunity. Penalties are more likely with repeated findings.

How often does inventory need to be reconciled?

The Department of Education requires that inventory records are updated every two years (2 CFR 200.313(d)(2)) but the SDE highly recommends that it is conducted annually.

Ultimately you are required to do it as often as your policies and procedures state, and your policies and procedures must meet federal standards for federal awards. Your policy can require it as often as you like, as long as it is as frequent or more frequent than once every 2 years.





What needs to be inventoried?

Depends. What does your policy say? The Federal minimum requirement is in 2 CFR 200.313(d) and 2 CFR 200.1 under “Equipment”.

Anything with a per-unit acquisition cost greater than **your** equipment threshold (Federal max is \$10,000) and a useful life of greater than 1 year **must** be inventoried. Computing devices are considered equipment if they the exceed per unit acquisition cost threshold **regardless** of their useful life.

Classroom sets are considered 1 unit. Inventory data must be recorded for all items that comprise a “set”.

A local requirement that is more stringent than the federal requirement is generally a good idea. Consult with your board to determine how stringent you would like to be. What kinds of things would you like to keep tabs on from year to year?

What should be inventoried?

A recommended benchmark for your equipment threshold is slightly less than a classroom set of devices (tablets or laptops), but more than a classroom set of library books.

What would you be embarrassed to learn had been misplaced? What would make the news if it had been stolen years ago and nobody knew?

If your set of iPads for Sped paras were accidentally mixed into a Gen-Ed classroom pool, you will want to find out before an auditor does.

If you purchase something like a classroom set of iPads to provide Equitable Services, you still need to inventory those items! Develop the expectation in your private schools that they will hear from you to collect inventory on the items you send them.



Inventory Safeguards

In 2 CFR 200.313(d)(3)-(4) grant recipients are required to have substantive policies and procedures in place to ensure that items in inventory are safeguarded against property loss, damage and theft, and that any loss, damage or theft is investigated by the grant recipient. **You are also responsible for having regular maintenance procedures in place for equipment.**

Put plainly, you must take care of the equipment you purchase and take measures to prevent or follow up on unexpected loss of equipment. You may well do these things, but it's important that you do it, have it in writing, and keep records of it.

Equipment Use

2 CFR 200.313(c) outlines that equipment purchased with a federal award must be used to serve the goals of the purchasing program for the duration of the performance period or as long as it is needed by the purchasing program. If the original program for which your equipment was purchased no longer requires the equipment, you may use the equipment to support another federal program.

Inventory records collected serve as your monitoring tool to keep an eye on how purchased items and devices are used.





Monitoring

With regard to inventory, there are a few things that we are looking for during monitoring visits.

We may ask to see two separate years of inventory reconciliations to observe that it is happening as often as your policy states.

We may review your inventory policy. Do you mention disposition? Maintenance? Do you discuss monitoring equipment use? What is your equipment threshold? How often is it done?

Do you follow your own policy?

If you have no inventory of equipment purchased with federal funds, we may ask to see that you have an inventory policy that accommodates federal regulations when they apply. You may deliberately avoid the federal requirements, but you at least have to be prepared to accommodate those requirements if they apply, and you still must follow your own policy.

These are standards that will take effect for next year's monitoring.

Let's touch base

How familiar does this feel?

What questions come to mind?

Who still wants to avoid even thinking about inventory?



What is required in your inventory record?

1. Description of the item (more descriptive than “Tablet” or “Copier”).
2. Serial number or tag number of the item. If tag numbers are used, keep a master list of which serial goes with which tags to prevent switching.
3. Funding source (name of the grant) and Federal Award Identification Number (FAIN) found on your GAN.
4. Identify the Title Holder.
5. Acquisition date of the property.
6. Cost of the property





What else is required in your inventory record?

7. Percentage of Federal award support (How much of the purchase price was covered with federal grant funds).
8. Location of property (Classroom #, warehouse, building office, etc.)
9. Use/ Purpose (Which program is supported and how is it supported?).
10. Condition of property (New, Like new, Used, Worn, Damaged, missing/ stolen, destroyed).
11. Disposal date of property (Acq. date plus years of useful life. Computers traditionally have 5 year useful lives).
12. Sale price of property after disposition (leave blank until after disposal).

Disposition

Once it is no longer needed by the purchasing program, any equipment with an assessed market value less than your equipment threshold can be sold or retained for use by the district in another program without any further obligation. **Document the disposal and transfer.** Inventory on the item may still continue if required by local policy.

If an inventoried item is damaged beyond use or otherwise no longer useful and therefore has no residual value, it does not need to appear on the following year's inventory registry. **Document the disposal of the item where possible.**

On the off chance that you purchased something with federal dollars that was so expensive that it still is more valuable (at current market value) than your equipment threshold after the program no longer needs it, reach out to the SDE for disposal procedures. You will most likely have to pay the SDE for the residual value of the equipment (the sale price at market value in its current condition) less \$1,000.

What happens once Inventory is finished?

Completed inventory should be distributed to the business office for review.

- Is there an alarming amount of misplaced or damaged inventory?
- Was everything where it was supposed to be?
- Are items in use by the correct departments or buildings?
 - No Title 1 purchased inventory in non-Title 1 buildings, right?

Records are retained for 6 years for any Sped or Federal Programs monitoring.

Effective for grants beginning July 1 2025, districts and LEAs must notify the SDE of any devices reported on their inventory as either missing, damaged or stolen. We are in the process of building out a system beyond email notification to receive those notifications and will keep you posted.

How are we feeling?

How many of you feel like this is something you already know how to handle?

Who still feels like they don't need to touch any of this?

Ready to take this on?



Or



Inventory Template

There is a new Inventory Template uploaded to the State website!

Found at the Idaho Department of Education Website

- Special Education Page
 - Funding and Fiscal Accountability
 - Fiscal Compliance
- Federal Programs Page
 - Federal Programs Monitoring
 - Funding and Fiscal Accountability
 - Fiscal Compliance



Inventory Template: Acquisition

Entered upon device acquisition					
<u>Tag Number</u>	<u>Device Serial</u>	<u>Item Description</u>	<u>Funding source (Fund number)</u>	<u>Federal Award Identification Number (Found on GAN)</u>	<u>Title Holder</u>
Example-2018-031	EX4MP13	ASUS Chromebook CR11	IDEA Part B Schoolage (257)	H027A170088	(District Name)
Example-2023-184	9RAC71C3	Dell Latitude 5550 Laptop	Title 1-A (251)	S010A220012	(District Name)
Example-2023-185	P14C3H01D3R	Dell Latitude 5550 Laptop	State/ Local	N/A	(District Name)

Inventory Template: Acquisition and Sale

Entered upon device acquisition						Entered at Sale	
<u>Acquisition Date</u>	<u>Purchase Price</u>	<u>% of Federal Award Support</u>	<u>Location</u>	<u>Use / Purpose</u>	<u>Disposal Date</u>	<u>Disposition Notes</u>	<u>Sale Price</u>
3/14/2018	\$199.99	100%	Eclipse Middle School	Laptop for BI Para for IEP monitoring and data entry	3/14/2023	Laptop was worn and software is no longer supported by the vendor	N/A
12/25/2022	\$850.00	100%	Sunrise Elementary	Laptop for Title 1 Interventionist	12/25/2027		Still in use
12/25/2022	\$850.00	0%	Sunrise Elementary	Laptop for Building Principal	12/25/2027		Still in use

Inventory Template: Reconciliation

Entered annually when Inventory is performed				
<u>Condition</u>	<u>Person Responsible for item</u>	<u>Date last Inventoried</u>	<u>Inventoried By</u>	<u>Signature</u>
Damaged	Jeff Goldblum	5/10/2023	Morgan Freeman	
Used	Chris Hemsworth	5/11/2023	Morgan Freeman	
Like New	Sigourney Weaver	5/11/2023	Morgan Freeman	



Recommended practices

- The following is non regulatory guidance.
- You can build your own inventory process, and it will pass an audit or monitoring visit just fine if it meets the standards mentioned in the previous slides.
- This is a pair of ways to meet the standard, not the only ways to meet the standard.
- I'll briefly cover an organization wide process, then a program-based process.
- I'm using generic language and providing an overview via PowerPoint. If there is interest in a more complete and full length "Inventory best practices" guide please reach out to Akohout@sde.idaho.gov .



Recommended practices: District Wide Method - Stakeholders?

The people who are the most plugged into each part of the process are your key players, and all should be involved and consulted when reviewing your Inventory policies and procedures.

- Staff involved in purchasing and receiving make sense to involve in device tagging and data entry into your inventory system.
- Coordinators/ Supervisors that work alongside the staff nearest to the devices make sense to be the ones tracking device use.
- Business office personnel who review capital asset trackers can review and retain inventory information.

Recommended practices:

District-wide method - Acquisition

- Policy for equipment purchased with federal or local funds is identical.
- Provide training and resources to staff responsible for purchasing and receiving in the district to identify items subject to this process.
 - Develop and distribute policy and procedure manuals.
- Upon delivery, devices/ equipment are tagged to both give the item an easy identifier to track and to indicate the program that purchased the item.
- Information from the packing sheet and purchase order are entered into the inventory tracker, including item description, acquisition date, unit price, purchasing fund, FAIN (if applicable), purchasing program, serial/ tag number, % of federal support (if applicable) and title holder.
- Once the purchased item is to enter use, the end user or the end user's supervisor will "check out" the item by entering the device's location, use, responsible person and condition into the inventory tracker.

Depending on the size of the district/ LEA, Google Sheets might be a good solution in lieu of a specialized software.

Recommended practices:

District-wide method - Reconciliation

- Annually, a member or members of each program or program cluster conducts building or classroom visits to personally inspect all devices purchased by the program/ program cluster.
- Inventory reviews will be guided based on previous information gathered on the location and responsible person for each device.
 - Employees with devices under their care may not conduct the inventory review for their own device.
- Once the item has been found, the use, location, condition and responsible person are updated on the inventory sheet, alongside the date of the inventory inspection and the name of the person doing the inspection.
- Each year's inventory for each program is kept intact, meaning that the use, location and condition of a device is recorded separately from one fiscal year to the next.
- Upon completion of inventory reconciliation, the record is sent to the program director for final review and signature then retained for records
 - In any federal program, a list of damaged, destroyed, missing or stolen devices is compiled and sent to the State department. (Process coming soon)

Recommended practices:

District-wide method - Pros and Cons

- Pros:
 - Expensive district/ LEA property is closely tracked as well as federally purchased property.
 - No employees are doing anything too far outside of their existing job description, and no work is duplicated.
 - Pervasive tone of accountability and care throughout the district.
 - Systems will continue after program staff change, since no one person is responsible for all of it (assuming more than one person handles the district's/ LEA's purchasing and receiving).
 - Encourages communication between departments and buildings.
 - No distinction between federal and local regulations.
 - Well suited for medium to large districts with specialized admin staff.
- Cons:
 - Requires buy-in from multiple departments and buildings
 - Requires development and maintenance of policy, procedures and training materials.
 - Districts working with limited manpower will find it tedious to separate responsibilities.

Recommended practices:

Internal to program method - Acquisition

- Inventory process for federally funded equipment is unique and specialized.
- The priority here is to centralize as much of the responsibilities created by inventory requirements as is possible.
- District policy should outline the siloed nature of the program policy.
- For each program or program cluster, designate someone within the program for purchasing and receiving.
- Packing slips and purchase orders for all program or program cluster purchases are sent to the program designee.
- This person identifies and tags purchases that need to be inventoried based on policy, then records all required fields mentioned in the previous slides in addition to the staff member responsible for the item.
- At least once during the process, the designee or someone they delegate should put hands or eyes on the equipment to tag it before it enters use.

Recommended practices:

Internal to program method - Reconciliation

- The inventory process is the responsibility of the same individual who enters each item into the program inventory upon receipt.
- Annually this person will conduct building/ classroom visits to perform inventory reviews. Once the device has been physically found, the device's location, use, condition, and responsible person are recorded in a way that preserves the original records taken upon receipt of the item. The reviewer also records their name and the date the item was located.
 - Items cannot be inventoried by the person responsible for the item. If the primary user of the item is the reviewer, that person's supervisor will conduct the review.
- Once inventory has been completed, the record is reviewed and signed by the program/ program cluster director and retained.
 - In any federal program, a list of damaged, destroyed, missing or stolen devices is compiled and sent to the State department. (Process coming soon)

Recommended practices:

Internal to program method Pros and Cons

- Pros:
 - Simple and rapid implementation.
 - One person can singlehandedly meet a federal requirement.
 - Well suited for a small district/ LEA with limited staff.
- Cons:
 - Loss of one key staff member without ample procedures can cripple the process.
 - Creates silos between departments.
 - Existing district infrastructure around purchasing and receiving are left unused.
 - Creates inconsistent processes between departments.
 - Can create logistical chokepoints if the district outgrows the process.
 - Turnover in key role can compromise grant compliance.

Do we feel a bit better about this?

- Was this useful?
- How can we make this more helpful?
- Let us know what you liked or what you had trouble with!



Lisa Pofelski-Rosa, MPA

Financial Specialist, Principal

lpofelskirosa@sde.idaho.gov

Austin Kohout

Financial Specialist, Principal

akohout@sde.idaho.gov



Idaho Department
of Education

Thanks!

Please feel free to reach out with any questions!