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INVENTORY MANAGEMENT PROCEDURES STATE AND FEDERALLY FUNDED EQUIPMENT

The maintenance of 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. These components are further defined by written procedures for the following areas:

- Acquisition of equipment
- Method for entering information into the District's inventory management system
- On-site use of equipment
- Physical inventory
- Equipment disposition
- Supplies disposition
- Loss, damage or theft of equipment
- Equipment use for federal and state funded programs
- Equipment use for private schools

For purposes of these guidelines, equipment purchased through federal, state and grant funds shall be treated the same, although sometimes only the terms "federal," or "federal and state funded" are used.

New Equipment Inventory Procedures

- All **technology** equipment 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 on the District's Federal Grant Inventory Spreadsheet.
 - All equipment should be delivered to SAU Technology Department unless approved for alternate delivery by the Director of Information Technology (IT).
 - Remove equipment from the shipping container. Inspect it to be sure all parts have been received and are in good condition.
 - After inspection an inventory code shall be attached. If the company we are procuring the technology equipment from has the capability of labeling the item, the District will have the company put the code onto the equipment.
 - All Information pertaining to the equipment including but not limited to: serial number, vendor, date of purchase, cost, building located in, room located in, should be recorded on the Federal Grant Inventory spreadsheet.

Federal and State Fund Requisition of Equipment

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

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regulations of the funding source. In other words, procedures must be in place to ensure all activities, including the purchase of equipment, paid for with federal or state funds are necessary, reasonable, allocable, and allowable. Once purchased, the equipment must continue to be used for that or a related purpose for the life of the grant.

Entry of Information into Inventory Management System

Once equipment has been received the Timberlane Regional School District must have a procedure in place for the entry of information onto the District's Federal Grant Inventory spreadsheet. The inventory will be available for review and evaluation through the SAU Business Office. Written procedures include the following requirements for equipment items purchased with federal and state funds.

1. All equipment should be properly tagged and labeled for inventory tracking. The label should differentiate federal and state equipment from general fund equipment.
2. 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.
3. The inventory must be current and available for review and audit at least once every two years. The following information must be included in the recipient's inventory records:

- A **description** of the equipment.
- A **serial number**, model number, or other identification number.
- The **funding source** under which the equipment was acquired.

Note: Equipment purchased with federal, state or other grant funds shall be identified to indicate federal ownership by specific federal program.

- The **source of property** (vendor).
- The **acquisition date** and **unit cost**.
- The **percentage** of the equipment cost paid with federal funds.
- The current **location** of the equipment.
- The **condition** of the equipment (e.g., good, fair, poor).
- The **date** the information was reported on the inventory.
- 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 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 noted above.
- 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.
- Adequate maintenance procedures should be implemented to keep the equipment in good condition. Facilities and technology staff will ensure that all equipment is maintained and in working order. When applicable, a contractor will be hired to service

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equipment the operations staff cannot. Routine maintenance of all federally funded equipment will be assured and carried out according to vendor standards.

- 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) Use and dispose of the property in accordance with paragraphs (b), (c) and (e) of this section.
 - (a) The District must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.
 - (b) Equipment must be used by the District 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 the following order of priority:
 - (i) Activities under a Federal award from the Federal awarding agency which funded the original program or project, then
 - (ii) Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.
- (4) During the time that equipment is used on the project or program for which it was acquired, the District 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 agencies that financed

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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]

PROCEURES FOR DISPOITION OF EQUIPMENT

When original or replacement equipment acquired with federal or state funds is no longer needed for the original project or program, the equipment may be retained, sold or disposed of, if it is not needed in any other federal or state funded project or program. The SAU Business Office will need to ensure that records are kept and made available for monitors and auditors as to where the equipment was transferred. The following are the procedures to eliminate any equipment item from the inventory:

- (a) Equipment items with an acquisition cost/current per unit fair market value of less than \$5,000 and are more than three years old may be retained, sold or disposed of with no further obligation to the funding source. The decision to retain or sell an item shall be up to the SAU Business Administrator. Private schools must complete the disposition form and forward it to the SAU Business Office for approval of disposition. The disposition of such items should be noted on the equipment inventory maintained by the SAU Business Office.
- (b) Equipment items with an acquisition cost of \$5,000 or more may be retained, donated, or sold.
- (c) The disposition of such items should be noted on the equipment inventory spreadsheet maintained by the SAU Business Office. The SAU Business Office should include the date of disposal and sales price or the method used to determine current fair market value.

Procedures for Disposition of Supplies

Procedures should be in place for the disposition of supplies if there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or sub-grantee shall compensate the awarding agency for its share. The SAU Business Administrator shall make the decision whether to sell, retain, or can be used under other federally sponsored programs. Supplies shall be defined as any equipment with a value less than \$5,000 that need to be tracked through an inventory system.

Loss, Damage or Theft of Equipment

A control system will be developed to ensure that there are adequate safeguards to prevent loss, damage, or theft of the property, including real property, equipment, and pilferable items. These

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procedures should include adequate safeguards to prevent loss, damage, or theft of the equipment. Possible control features could include:

- Locks or security cameras (for particularly valuable or vulnerable items). Access controls to storage areas to limit entry by unauthorized personnel.
- Use of **logs or sign-in sheets for certain items of property: for example, iPads, laptops, cameras, projectors.**
- Procedures for promptly entering items received onto the District Federal Grant Inventory spreadsheet.
- 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 following individuals:
 - Business Administrator
 - Accounting Grant Manager
 - Curriculum Director
 - IT Director (if applicable)
 - Facilities Director (if applicable)
- Documentation of notification of loss, damage or theft of equipment and, if appropriate, any police reports.

EQUIPMENT USE FOR PARTICIPATING PRIVATE SCHOOLS

Federal and state funds may be used to purchase materials and equipment to meet the needs of eligible private school students as allowed by funding sources.

It is important to remember that although the equipment may be used by the private school, the Local Education Agency (LEA) purchasing the equipment retains title and must continue to account for the equipment on its District Federal Grants Inventory spreadsheet. The District shall label all equipment and supplies (if pilferable) and enter them on the District Federal Grant Inventory spreadsheet before sending over to the private school. The SAU Business Office shall require all private schools to implement adequate procedures and internal controls to account for the location, custody, and security of materials and equipment purchased with federal funds for private school use. These procedures must include the proper labeling of materials and equipment purchased with federal funds, and policies and procedures to ensure that private school officials do not use these materials and equipment for non-secular purposes.

The District shall maintain an inventory of all materials and equipment purchased with federal and state funds for use with eligible students at private schools. The inventory shall contain the same requirements for any equipment purchased with federal and state funds as described in the **Entry of Information into Inventory Management System** section. These

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requirements are:

- A **description** of the equipment.
- A **serial number**, model number, or other identification number.
- The **funding source** under which the equipment was acquired. Note: Equipment purchased with federal, state or other grant funds shall be identified to indicate federal ownership by specific federal program.
- The **source of property** (vendor).
- The **acquisition date** and **unit cost**.
- The **percentage** of the equipment cost paid with federal funds.
- The current **location** of the equipment.
- The **condition** of the equipment (e.g., good, fair, poor).
- The **date** the information was reported on the inventory.
- 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 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 noted above.
- 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.
- Adequate maintenance procedures should be implemented to keep the equipment in good condition.
- A physical inventory of equipment items must be taken and the results reconciled with the inventory records at least **once every two years**.

Additionally, the District requires that the control of the federal and state funds, and the ownership of the materials and equipment purchased with federal or state funds for private schools, shall be in the LEA, and that the District shall administer the funds, materials and equipment as mandated by the State. This is an LEA responsibility rather than the responsibility of the private school.

The District shall approve the requisition forms for ordering materials and/or equipment; have the materials and/or equipment delivered to the SAU Business Office; sign for the delivery of the materials and/or equipment; and label the equipment as federal or state funded to include the fiscal year of purchase and property of the respective school district. Materials and equipment should be stored in a secure location when not in use. The SAU Business Office will follow the same disposition plan for the equipment purchased for participating private school students as with any equipment purchased with federal funds in the public school.