



Title I, Part A Inventory Review Guidelines



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Preface

The Elementary and Secondary Education Assistance Act of 1965 (ESEA) requires, among other things, that local educational agencies (LEAs) implement and maintain financial management systems that substantially comply with federal systems management requirements. These requirements, detailed in 2 C.F.R. Part 200.62– Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 C.F.R. Part 200) states that LEAs shall provide: “effective control over and accountability for all funds, **property**, and other **assets**. Recipients shall adequately safeguard all assets and assure they are used solely for authorized purposes”.

To assist in reviews of financial management systems under the requirements of 2 C.F.R. Part 200, the Georgia Department of Education (Department) Title Programs Division is issuing guidelines to local educational agencies (LEAs) as a compliance tool. The purpose of this manual is to (1) assist LEAs in implementing and monitoring their Title I, Part A inventory system; and (2) to assist monitors and auditors in reviewing the systems to determine if the LEA’s inventory system is in substantial compliance with 2 C.F.R. Part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and ESEA non-regulatory guidance. **The sample forms are not meant to be used in assessing the LEAs inventory system.** The manual is provided as a practical aid available for use as a tool by the district Title I staff to ensure that Title I, Part A expenditures for equipment and supplies meet the guidelines set forth in Title I federal guidance.

Authoritative Guidance

2 C.F.R. Part 200 – Uniform Administrative Requirement, Cost Principals, and Audit Requirements for Federal Awards establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. Agencies are not expected to place additional restrictions on individual items of cost. Provision for profit or other increment above cost is outside the scope of this Circular.

General Education Provisions Act (GEPA) Section 443(a) requires each recipient of federal funds to keep records which fully disclose the amount and disposition of the funds, the total costs of the activity for which the funds are used...and such other records as will facilitate an effective financial or programmatic audit.

Reasons for completing an annual inventory include:

- *Noting the condition*

Applicability

The provisions of the sections of this guideline shall be applied by LEAs as recipients of a Title I, Part A grant (allocation). LEAs shall apply the provisions of 2 C.F.R. Part 200, to sub recipients (Title I schools within their districts) performing substantive work under Title I, Part A allocations that are passed through or awarded by the primary recipient (LEA).

Functions of an Inventory Review

The inventory review requirements ensure that LEAs meet federal guidance for controlling and accounting for inventory in accordance with Title I, Part A laws and policies. The procedures and processes of an inventory have the following functions:

- 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 Title I program.
- 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 Title I program.
- 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.
- Provides policies and standard procedures for **program planning and monitoring** of equipment use.

Inventory Definitions

Equipment

According to 2 C.F.R. Part 200.33, equipment is defined as an article of nonexpendable, tangible personal property (including information technology systems) having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-profit organization for financial statement purposes, or \$5,000. See also 2 C.F.R. Part 200.12 Capital assets, 2 C.F.R. Part 200.20 Computing devices, 2 C.F.R. Part 200.48 General purpose equipment, 2 C.F.R. Part 200.58 Information technology systems, 2 C.F.R. Part 200.89 Special purpose equipment, and 2 C.F.R. Part 200.94 Supplies.

Regardless of the control levels selected, LEA Title I directors must develop and maintain controls to ensure that all Title I property is purchased in accordance with the LEA's procurement procedures and that adequate controls are maintained to safeguard all equipment purchased with Title I funds. Therefore, an inventory shall be maintained for all tangible property with a useful life of one year, regardless of the acquisition cost. LEAs are not required to track consumable items, but are required to maintain an inventory of items such as computers, DVD players, projectors, cell phones, etc.

The 2 C.F.R. Part 200 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments and federally recognized Indian tribal governments (governmental units).

Supplies

Supplies are addressed in Section 2 C.F.R. 200.94. Supplies are any tangible personal other than those described in §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life. Supplies are generally considered consumable items. These items would generally have a shorter life span than equipment which is kept for recurring use. Therefore, supplies do not have to be recorded in an inventory management system. See also 2 C.F.R. Part 200.20 Computing devices and 2 C.F.R. Part 200.33 Equipment.

Even though supplies are not required to be part of the inventory management system, LEAs should have adequate internal control procedures that include a process for labeling and locating property, including supplies, purchased with federal funds. The information maintained about supplies purchased with federal funds will provide documentation to prove all costs are necessary, reasonable and allocable.

Note: Any equipment paid for under a contract for services is the

Pilferable (Walkable) Items

A January 2010, audit report by the Office of Inspector General (OIG) on the State of Pennsylvania's Philadelphia Title I programs indicated that a large number of what was termed as pilferable items were not included on any inventory report. Pilferable items are defined as those items that may be easily be lost or stolen. There has been significant advancement in technology and many significant technology items are now available for well under \$5,000 per unit cost. As a result of the OIG 2010 Philadelphia Audit Report, items considered to be pilferable items and purchased with federal funds must now be included on any inventory report. Pilferable items include, but not limited to: cell phones, iPads, tablets, iPods, graphing calculators, software, projectors, cameras, camcorders, DVD players, computer equipment, and televisions.

Acquisition Cost

The acquisition cost of an item of purchased equipment means the net invoice unit price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. In addition, freight charges, installation charges, and other charges directly related to placing the equipment in use may be reimbursed.

Current Fair Market Value

Current fair market value is determined by obtaining two signed bids from potential purchasers or two appraisals from authorized appraisers for the purpose of disposing of or transferring equipment. When the equipment is being traded in for like or similar equipment used in the same program for the same purpose, the trade in value constitutes the current fair market value of the traded in equipment.

Inventory Management Procedures

Procedures for Maintaining an Inventory of Equipment

The Standards for Financial and Program Management section of 2 C.F.R. Part 200 states that effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees and sub-grantees must adequately safeguard all such property and must assure that it is used solely for authorized purpose. Such internal control provides reasonable assurance of the effectiveness and efficiency of the program, reliability of reporting and compliance with applicable laws and regulations.

Inventory items purchased with federal funds are divided into the following categories: real property, equipment, pilferable items and supplies. All equipment, that is, any nonexpendable, tangible property having a useful shelf life of more than one year must be included on an inventory. This includes pilferable items, equipment that is considered small items easily lost or stolen. Even though supplies, consumable items, with a shelf life less than a year, are not required to appear on an inventory there should be adequate internal control procedures ensure the supplies purchased with federal funds are used for the intend of the program.

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

- Acquisition of equipment
- Method for entering information into the LEAs inventory management system
- On-site use of equipment
- Physical inventory
- Equipment disposition
- Supplies disposition
- Loss, damage or theft of equipment
- Equipment use for Title I, Part A targeted assistance programs
- Equipment use for private schools

Requisition of Equipment

Inventory management procedures begin with a process of determining the need and use of the equipment. All equipment purchased with federal funds must be in accordance with the 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 funds are necessary, reasonable, allocable, and allowable. Once purchased, the equipment must continue to be used for that or a related purpose.

The requisition for purchase of equipment should follow the LEAs internal control procedures. Procedures should be in place to ensure prior approval of all purchases and provide specifications for receiving the equipment, and issuing the equipment to the proper locations.

Entry of Information into Inventory Management System

Once equipment has been received the LEA must have a procedure in place for the entry of information into the LEAs inventory management system. The Title I director and Title I school principal is responsible for the management and inventory of such equipment. The inventory must be available for

LEA Inventory Review Guidelines

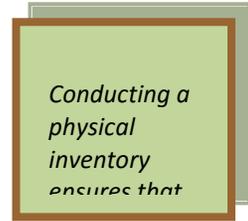
review and evaluation. One copy should be kept in the Title I school and another copy in the Title I district office.

The written procedures should include the following requirements for equipment items purchased with federal funds.

1. All equipment should be properly tagged and labeled for inventory tracking. The label should mark the equipment as Title I and include the fiscal year of purchase and property of the respective school district.
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. 2 C.F.R. 200.311, 2 CFR 200.313 and 2 C.F.R. 200.439 states 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 (including the FAIN)**, and **percentage** of funding source, under which the equipment was acquired. **Note:** Equipment purchased with federal funds shall be identified to indicate federal ownership by specific federal program (e.g., items purchased with Title I Part A monies must be marked as Title I, Part A with grant award year.)
 - The **source of property (vendor)**.
 - The **acquisition date** and **unit cost**.
 - The present **location** of the equipment.
 - Indication of the **use** of the equipment. For example, Title I classroom, Title I afterschool program, Title I administration, etc.
 - The **condition** of the equipment.
 - The **date** the information was reported on the inventory.
 - Who holds **title** to the equipment? This is generally the funding source; for example, Title I. If funds from more than one program was used to purchase the equipment then each program should be listed as the Title, and if possible, notation of percentage should be listed.
 - All pertinent information on the final transfer, replacement, or disposition of the equipment (including the date of disposal and sale price of the equipment).
 - 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.

Off-site Use of Equipment

The LEA shall develop **written procedures** for ensuring an effective tracking system for all equipment used off site. These procedures should include the process for requesting the use of and signing out Title I equipment utilized site. A sample form is provided in this manual that includes documentation the date the equipment was taken off-site, use of the equipment, person responsible for the equipment use, date the equipment was returned and condition of the equipment on return.



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Physical Inventory

A physical inventory of equipment purchased with federal funds shall be taken and the results reconciled with the equipment records **at least once every two years** in accordance with 2 C.F.R. Part 200.313 (d)(2). 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, continued need for the equipment and condition of the equipment. Documentation shall be maintained of **the date of physical check and the person conducting the physical inventory.**

Adequate maintenance procedures shall be implemented to keep the equipment in good condition.



Procedures for Deposition of Equipment

The LEA should establish procedures for determining the lifecycle of the equipment, as well as, a depreciation methodology. 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 Title I, Part A like or federally funded project or program. The LEA 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:

1. Equipment items with an acquisition cost/current per unit fair market (an explanation is provided in the 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 Department. The disposition of such items should be so noted on the equipment inventory maintained by the LEA.
2. Equipment items with an acquisition cost of **\$5,000 or more** may be retained or sold and the awarding agency (Department) shall have a right to amount calculated by multiplying the current market value or proceeds from sale by the awarding agency (Department's) share of the equipment.

- a. If the current per unit fair market value is \$5,000 or more, the equipment may be retained or sold and the awarding agency (Department) shall have a right to an amount calculated by multiplying the current market value or proceeds from the sale by the state's share of the equipment. However, the entity is permitted to deduct and retain from the state's share \$500 or 10-percent of the sales proceeds, whichever is less, for the entity's selling and handling expenses. **Note: The Department does not require this of Georgia's Title I LEAs. To date, the Department has not required this action of LEAs for the sale of Title I property in a district. However, this procedure is outlined in 2 C.F.R. Part 200.313 (d)(5)(e)(1-4) and allows a state to require this process from their LEAs.**
- b. The disposition of such items should be so noted on the equipment inventory maintained by the recipient. The recipient should include the date of disposal and sales price or the method used to determine current fair market value if the recipient compensates the state.

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 of sub-grantee shall compensate the awarding agency for its share.

Loss, Damage or Theft of Equipment

- 2 C.F.R. Part 200.313 (d)(3) requires that a control system be developed by recipients of federal funds to ensure that there are adequate safeguards to prevent loss, damage, or theft of the property, including real property, equipment, and pilferable items. These procedures should include:
 - Adequate safeguards to prevent loss, damage, or theft of the equipment. Some possible control features could include:
 - 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 of property; for example, iPads, laptops, cameras, projectors
- Procedures for promptly entering items received into the inventory management system
- Process for investigation of any loss, damage and/or theft of equipment. Any loss, damage and/or theft of equipment purchased with Title I funds should be reported to the district level Title I director.
- Documentation of notification of loss, damage or theft of equipment and, if appropriate, any police reports. Two sample report forms are provided in this manual.

Miscellaneous

When acquiring replacement equipment, the recipient may use the equipment to be replaced as a trade in or sell the equipment and use the proceeds to offset the cost of the replacement equipment, subject to the approval of the state or the awarding federal agency. If the equipment is sold, then the proceeds must be

Equipment Use for Title I, Part A Targeted Assistance Programs

LEAs may use Title I, Part A funds to purchase Title I equipment in a targeted assistance program. The LEA must keep in mind that any equipment purchased with Title I, Part A funds must be reasonable and necessary to implement a properly designed

program for the identified students. However, under some circumstances, equipment purchased as part of a properly designed Title I program may, without constituting an improper expenditure, be used on a less than full-time basis. That equipment could be made available for other educational uses without interfering with its use in the Title I program. Equipment could be used on other projects or programs currently or previously supported by the Federal Government, “providing such use will not interfere with the work on the projects or programs for which it was originally acquired.” LEAs should be judicious in applying these standards. Absent actual evidence to the contrary, the standards will have been presumed to be met and the use of Title I equipment in non-Title I activities is proper if use does not exceed 10-percent of the time the equipment is used in Title I activities. However, use above that amount in non-Title I activities is not necessarily improper if the standards are met on a case-by-case basis. The use of Title I equipment in targeted assistance program schools in non-Title I activities on a part-time basis must be done in a manner that protects the integrity of the equipment as a Title I expenditure. Accordingly, the LEA must ensure and document that:

- The Title I equipment is part of a project that has been properly designed to meet the special educational needs of educationally deprived children.
- The equipment purchased with Title I funds is reasonable and necessary to operate the LEA’s Title I project without regard to any use in non-Title I activities;
- The project has been designed to make maximum appropriate use of the equipment for Title I purposes; and
- The use of the equipment in non-Title I activities does not decrease the quality or effectiveness of the Title I services provided to Title I children with the equipment, increase the cost of using the equipment for providing those services, or result in exclusion of Title I children who otherwise would have been able to use the equipment.

In the absence of evidence to the contrary, it will be presumed that these standards have been met and that use of Title I activities is proper if that use does not exceed 10-percent of the time the equipment is used in Title I activities, provided the equipment is not needed in the Title I program. Permissive use of the equipment for one period of the day is allowable, if it is not needed by Title I. Before and after school use is acceptable if Title I does not need the equipment. Care should be taken that the equipment is properly supervised, that use will not affect the integrity of the equipment, which the

Title I program is not compromised, and that users will assume all responsibility for any and all damage to the equipment.

Equipment Use for Participating Private Schools

Title I funds may only be used to purchase materials and equipment to meet the needs of participating (students eligible to receive services) private school students. Non-Title I private school students may **not** use materials and equipment purchased with Title I funds.

It is important to remember that although the equipment may be used by the private school, the LEA purchasing the equipment retains title and must continue to account for the equipment in its inventory management system. The Department shall require all LEAs serving private school children to implement adequate procedures and internal controls to account for the location, custody, and security of materials, equipment, and property purchased with Title I funds for private school use. These procedures must include the proper labeling of materials and equipment purchased with Title I funds, policies and procedures to ensure that private school officials do not use these materials and equipment with ineligible children, and disposal procedures.

The LEA shall maintain an inventory of all materials, equipment, and property purchased with Title I funds for use with eligible Title I students at private schools. The inventory shall contain the same requirements for any equipment purchased with Title I, Part A funds. These requirements are:

- A **description** of the equipment.
- A **serial number**, model number, or other identification number.
- The **funding source (including FAIN)**, and **percentage** of funding source under which the equipment was acquired. **Note:** Equipment purchased with federal funds shall be identified to indicate federal ownership by specific federal program (e.g., items purchased with Title I Part A monies must be marked as Title I, Part A with grant award year.)
- The **source of property (vendor)**.
- The **acquisition date** and **unit cost**.
- The present **location** of the equipment (school, classroom, etc).
- Indication of the **use** of the equipment. For example, Title I classroom, Title I afterschool program, Title I Administration, etc.
- The **condition** of the equipment.
- The **date** the information was reported on the inventory.
- Who holds **title** to the equipment? This is generally the funding source; for example, Title I. It is not the LEA or the private school.
- All pertinent information on the final transfer, replacement, or disposition of the equipment (including the date of disposal and sale price of the equipment).
- 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, Section 1120(d)(1) of the ESEA requires that the control of the Title I funds, and the ownership of the materials and equipment, purchased with Title I funds for private schools shall be in the LEA, and the LEA shall administer the funds, materials, equipment and property. This is an LEA responsibility rather than the responsibility of the private school. The LEA shall complete the requisitions forms for ordering materials and/or equipment; have the materials and/or equipment delivered to the LEA; sign for the materials and/or equipment; label as Title I to include the fiscal year of property of the respective school; and deliver the materials and/or equipment to the private school. Materials and equipment should be stored in a secure location when not in use.

▪ **Quality Control Suggestion:** *Ensure all inventory forms have the*

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The LEA would follow the same disposition plan for the equipment purchased for participating private school students as with any equipment purchased with Title I funds in the public school.

Procurement and Suspension and Debarment

Executive Order 12549 provides that, to the extent permitted by law, executive departments and agencies shall participate in a government-wide system for non-procurement, debarment and suspension. A person who is debarred or suspended shall be excluded from federal financial and nonfinancial assistance and benefits under federal programs and activities. According to 34 C.F.R. Part 200.212, non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 C.F.R. Part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Suspension and Debarment list by state: <https://www.gsaig.gov/content/suspension-and-debarment-sites-state>

Monitoring of Equipment and Inventory

LEAs receiving federal funds are responsible for managing the day-to-day operations of the grant and its supported activities to ensure that the requirements of the grant are met. The monitoring includes the purchasing, use and disposal of property. These federal regulations and requirements also require the state educational agency (SEA) to monitor the implementation of program requirements and expenditures of federal funds.

The audit requirements of 2 C.F.R. Part 220.501 state that A non-federal entity that expends \$750,000 or more during the non-federal entity's fiscal year in federal awards must have a single audit conducted in accordance with §200.514 Scope of Audit except when it elects to have a program-specific audit conducted in accordance with paragraph (c) of this section.

Below are persistent inventory findings from former A-133 Single Audits, US ED Program Monitoring, Office of Inspector General (OIG) and Department Cross-Functional Monitoring are listed below.

Common Findings

- ***Inability to account for property and equipment***
Effective control and accountability must be maintained for all property and equipment. An LEA must be able to account for all pieces of equipment purchased from federal funds. Procedures should be in place to be sure all newly purchased equipment is added promptly to the appropriate inventory.
- ***Failure to maintain an equipment inventory with required components***
A federal regulation is very specific as to the required components of an inventory. The following items are required for all inventories: description, date of purchase, vendor, funding source (including FAIN), serial number, unit cost, location, use, title, and condition and disposition information.
- ***Lack of sufficient documentation to support purchases***
The requisition for purchase of equipment should follow the LEAs internal control procedures. Procedures should be in place to ensure prior approval of all purchases and provide specifications for the acceptance and issuing the equipment to the proper locations.
- ***Insufficient, outdated or no property management procedures or policies***
LEAs must have policies or procedures in place for inventory management. These procedures must include equipment use for all schools, including those schools operating a targeted assistance program, participating private schools, and/or neglected and delinquent facilities. The inventory management procedures must include provisions for purchasing of equipment, adding the equipment to the inventory, properly labeling the equipment, adequate safeguards related to the loss, damage, or theft of the equipment, maintenance procedures, process for conducting a physical inventory and disposition procedures as outlined in 2 C.F.R. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- ***No physical inventory conducted or not properly documented***
A physical inventory of equipment purchased with federal funds shall be taken and the results reconciled with the equipment records at least once every two years in accordance with 2 C.F.R. Part 200.313 (d)(2). This physical inventory is conducted on all equipment (not just a random sample) to verify the existence of the equipment, determine how the equipment is being used, and the current condition. Documentation shall be maintained of the date and the person conducting the physical inventory. It should be obvious to the monitor or auditor that a physical inventory has been conducted. Any irregularities in the use, location, and/or condition of the equipment should be dealt with and properly documented.
- ***Alternate use of equipment (equipment was placed in non-allowable area)***
All equipment purchased with federal funds must be in accordance with the regulations of the funding source. The equipment purchased must also be reasonable and necessary for the

purpose of the program. Conducting of a physical inventory will ensure that equipment is being used for the purpose in which in which it was purchased.

- **Improper disposal of equipment**

The disposition of items that may be lost, stolen, transferred, sold as surplus, or discarded should be so noted on the equipment inventory maintained by the recipient. The recipient should include the date of disposal and sales price or the method used to determine current fair market value if the recipient compensates the state. The LEA must maintain records documenting the serial number or other information identifying the specific item sold, the sale price, and any reimbursement to the federal program. The records also should describe whether the items that were not sold were repurposed, retained or discarded. A record of the date, reason, and method of disposal or sale must be maintained with the equipment inventory. (2 C.F.R. Part 200.313 (d)(5)(e)(1-4))

- **Instances of fraud, waste and abuse.**

Fraud, waste or abuse could be a potential problem that can drain funds and resources. The legal definition for fraud is any acts, omissions, or concealment involving a breach of legal or equitable duty. Waste and abuse refers to extravagant, careless or needless expenditure of funds or abuse of state resources or property. Waste does not necessarily involve private use or personal gain, but it almost always signifies poor management decisions, practices, or controls:

Some possible indicators of equipment and inventory fraud, waste and abuse could be:

- One person in control
- No separation of duties
- Lack of internal controls
- Unexplained or missing documentation
- Altered records
- Non-serial number transactions
- Inventories and financial records not reconciled
- Unauthorized transactions
- Purchasing unneeded supplies or equipment
- Purchasing goods at inflated prices

Frequently Asked Questions on Inventory

Q-1 May an LEA that has a targeted assistance school keep equipment if the targeted assistance school will not receive a Title I, Part A allocation in a subsequent funding year?

A-1. Regardless if the Title I program is a targeted assistance program or a schoolwide program any equipment purchased with Title I monies must be utilized in a Title I-like program if no longer needed for Title I purposes. For example, if the district has a Head Start program, TRIO program, or the district could continue to utilize the equipment with Title I-like students for academic interventions. 2 C.F.R. Part 200.313 (e) states that equipment shall be used by the grantee or subgrantee 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 federal funds. When no

longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a federal agency.

Q-2 Can non-Title I students use computers or other items purchased with Title I funds?

A-2 It is the local school's responsibility to ensure and document that Title I students are using equipment, or any other item purchased with Title I funds the vast majority of the time. The Title I guidance refers to a 90-10 rule suggesting that Title I students should be using Title I purchased items 90-percent of the time. Therefore, the use of Title I purchased equipment being used for non-Title I purposes may be allowable IF providing such use will not interfere with the work on the Title I projects or Title I programs for which the equipment was originally acquired. Schools and districts must be able to produce supporting documentation to any monitor or auditor should the request for source documentation arise.

Q-3 Can Title I funds be used to purchase instructional materials for RTI?

A-3 RTI is a four tiered academic intervention. The first tier is a basic level of support provided by the district and must be provided for all district students regardless if they are Title I or not. The upper tiers are additional levels of academic support that Title I may be able to supplement costs if they are Title I allowable. For example, if the district is purchasing specific materials for all schools in the district, those materials must be purchased with state and/or local funds in both Title I and non-Title I schools. In a targeted assistance school, Title I funds may only be used to purchase instructional materials for eligible Title I students being served in the Title I program. In a schoolwide school, funds may be consolidated and Title I allowable instructional materials may be purchased for use by all the students in the Title I school. Title I funds may never be used to purchase instructional materials in non-Title I schools.

Q-4 Can Title I funds be used to purchase instructional materials and equipment for private schools that have eligible Title I, Part A students?

A-4 After consultation with the private school eligible to receive equitable services for eligible private school students, the LEA may place equipment and supplies in a private school that are needed to implement the agreed upon Title I program, and to be used by eligible Title I students for the period of time needed for the Title I services. [34 C.F.R. Part 76.661(b)] The LEA shall complete the requisitions forms for ordering materials and/or equipment; have the materials and/or equipment delivered to the LEA; sign for the delivery of the materials and/or equipment; label the equipment as Title I to include the fiscal year of purchase and property of the school district; and deliver the materials and/or equipment to the private school. Materials and equipment should be stored in a secure location when not in use. The LEA shall remove equipment or supplies from a private school if no longer needed for the purposes of the Title I services or to avoid uses for other than Title I, Part A purposes. [34 C.F.R. Part 76.661,(d)(1)(2)]

Q-5 Is the Georgia Department of Education's physical inventory cycles the same as the federal inventory cycle?

A-5 Yes. *The Department's Title Programs Division follows the same cycle as required in 2 C.F.R. Part 200.313 (d)(2). A physical inventory of equipment purchased with federal funds shall be taken and the results reconciled with the equipment records **at least once every two years**. This physical inventory is conducted on all equipment (not just a random sample) to verify the existence of the equipment, determine how the equipment is being used, and the current condition. For items that are considered pilferable; meaning those items that can easily be misplaced or lost districts the Department's Title Programs Division highly recommends a yearly inventory check be conducted. Items to be considered high-risk are: notebooks, iPads, iPods, DVD players, cameras, video recorders, projectors, etc. **However, the Georgia Department of Education's Title Programs Division strongly recommends that an annual inventory check be taken and the results reconciled with the equipment every year.***

Q-6 If an inventory item is lost, stolen, transferred, sold as surplus, or discarded in one year and an explanation is kept on file for that year, can the district completely remove the item from the inventory the next year?

A-6 *The disposition of items that may be lost, stolen, transferred, sold as surplus, or discarded should be so noted on the equipment inventory maintained by the recipient. The recipient should include the date of disposal and sales price or the method used to determine current fair market value if the recipient compensates the state. The LEA must maintain records documenting the serial number or other information identifying the specific item sold, the sale price, and any reimbursement to the federal program. The records also should describe whether the items that were not sold were repurposed, retained or discarded. A record of the date, reason, and method of disposal or sale must be maintained with the equipment inventory. (2 C.F.R Part 200.313 (d)(5)(e)(1-4)). Records for real property and equipment acquired with federal funds shall be retained for three years after final disposition. 2 C.F.R. Part 200.333 (c) **However, the Department recommends that LEAs should keep records for at least five years after the final disposition of the item.** This documentation for disposal can be part of the inventory or kept separately.*

Q-7 What items should be included on an inventory?

A-7 *Inventory items purchased with federal funds are divided into the following categories: real property, equipment, pilferable items and supplies. An LEA must develop and maintain controls to ensure that all Title I property is purchased in accordance with the LEA's procurement procedures and that adequate controls are maintained to safeguard all equipment purchased with Title I funds. Therefore, an inventory shall be maintained for all tangible property with a useful life of one year, regardless of the acquisition cost. LEAs are not required to track consumable items, but are required to maintain an inventory of items such as computers, DVD players, projectors, cell phones, etc.*

Supplies are any tangible personal property that is considered consumable items. These items would generally have a shorter life span than equipment which is kept for recurring use.

Therefore, do not have to be recorded in an inventory management system. However, LEAs should have adequate internal control procedures that include a process for labeling and locating property, including supplies, purchased with federal funds. The information maintained about supplies purchased with federal funds will provide documentation to prove all costs are necessary, reasonable and allocable.

Q-8 What are the procedures that must be followed if an LEA discovers that an item purchased with Title I has been stolen?

A-8 The Title I Director should follow any policies/procedures that the LEA has in place for the disposition/transfer of equipment that is obsolete, not repairable, damaged, destroyed, lost, or stolen. These procedures should cover any equipment item purchased by a recipient with state funds or federal funds. If an item of equipment has been damaged, destroyed, lost, or stolen, an official investigation by the proper authorities should be conducted and fully documented. A copy of this report must be kept on file in the district Title I office and the schools' administrative office, usually the principal's office. Two examples of Report of Lost, Damaged or Stolen Property are provided in this manual.

Q-9 What is the timeframe for adding items to an inventory after they have been purchased and received?

A-9 Once inventory items have been received, the LEA must have written procedures in place for the entry of information into the LEAs inventory management system. All equipment should be properly tagged and labeled for inventory tracking in a timely manner before being distributed for use.

Q-10 How long does an LEA have to keep inventory records?

*A-10 Records for real property and equipment acquired with federal funds shall be retained for three years after final disposition. 2 C.F.R. Part 200.333 (c) **However, the Department recommends that LEAs should keep records for at least five years.***

Q-11 Is the equipment condition a requirement of inventory records? Who determines the condition of the inventory?

*A-11 Yes. The LEA shall maintain an inventory of all materials, equipment, and property purchased with Title I funds. The inventory must be current and available for review and audit. 2 C.F.R. Part 200 states the following information must be included in the recipient's inventory records: Description, serial number, funding source, including the FAIN (Title), source of property (vendor) acquisition date, cost, location, use and **condition**.*

The LEA should establish procedures for determining the lifecycle of the equipment, as well as a depreciation methodology. These procedures would include the person/s responsible for maintaining the inventory and determining the condition. An LEA should also include adequate maintenance procedures to keep the equipment in good condition. Because this is federal Title I, Part A monies the district Title I Director/Coordinator is responsible for ensuring that an inventory is in place and should be the person or his/her designee responsible for indicating the condition of any Title I equipment.

Q-12 What are the requirements for tracking labels for equipment purchased with Title I, Part A funds?

*A-12 The LEA should establish procedures for properly tagging and labeling for inventory tracking. The label must include information to identify the equipment **as Title I and include the fiscal year of purchase** and that the equipment is the property of the respective school district. The LEA shall maintain an inventory of all materials, equipment, and property purchased with Title I funds. The inventory must be current and available for review and audit. 2 C.F.R. Part 200.313(1) states the following information must be included in the recipient's inventory records: Description, serial number, funding source, including the FAIN (Title), source of property (vendor) acquisition date, cost, location, use, and **condition**.*

Sample Forms

As stated throughout this manual, the LEA must establish written procedures for purchasing and monitoring of equipment use to ensure compliance with federal regulations. Many LEAs have purchased programs to assist with inventory requirements. While this is a local decision, it is the responsibility of the Title I Director, within the LEA, to ensure that the inventory procedures and forms include the required components.

The enclosed sample documents are merely that, examples of what various forms may look like. The following forms may be as guidelines in the development of local procedures.

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

LEA Inventory Review Guidelines

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?

- | | | |
|---|---|---|
| <input type="checkbox"/> Alarm system activated | <input type="checkbox"/> In locked closet | <input type="checkbox"/> Other (Specify): |
| <input type="checkbox"/> In locked room | <input type="checkbox"/> In school vault | |

Location of the stolen/damaged property:

- | | | |
|---|--|---|
| <input type="checkbox"/> Classroom (specify): | <input type="checkbox"/> Media Center | <input type="checkbox"/> Kitchen |
| <input type="checkbox"/> Portable/Trailer | <input type="checkbox"/> Office (specify): | <input type="checkbox"/> Other (Specify): |

Comments:

Signature

Date