

What the Law Says

The Every Student Succeeds Act (ESSA) obliges local educational agencies (LEAs) to implement and maintain financial management systems that comply with federal systems management requirements. These requirements are detailed in the [Code of Federal Regulations](#) (2 C.F.R., Part 200) and 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”. It also requires an inventory of equipment purchased in whole or in part by federal program funds at least once every two years. ([2 CFR 200.313](#) (d)(2)).

What It Means

LEAs receiving federal funds must maintain an up-to-date inventory of equipment (e.g.; whiteboards, computing devices) as well as non-consumable supplies (e.g.; books, software) purchased with federal funds. This applies to items purchased for the LEA **as well as participating non-public schools**. The U.S. Education Department does not spell out a methodology for maintaining inventory records; however, failure to properly keep records of inventory purchased with federal funds is a common error found in federal audits.

Per the Education Department of General Administrative Regulations (EDGAR), *Equipment* (2 C.F.R §200.33) 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 \$5,000. *Supplies* (2 C.F.R. §200.94) are defined as all tangible personal property other than those described in equipment. Inventory tracking systems must include both equipment and supplies purchased with federal funds.

Requirements

Districts must implement an inventory tracking system. Implementation of an inventory tracking system not only safeguards compliance with the law, it ensures the district knows the type, number and location of materials in its possession. This same inventory tracking system can be submitted as evidence as a part of federal program monitoring. C.F.R., 200.313 (d)(1) requires that records must be maintained that include:

- Purchase cost and date;
- Serial number or other identification number;
- Location and/or employee it is assigned to;
- Funding source (i.e.; which federal fund was used to purchase the item);
- Percentage of cost paid by program (e.g., 25% paid by Title I-A and 75% paid by Title IV-A); and
- Disposition/condition of item.

Materials purchased for private schools as part of their equitable share are the property of the district. As a result, districts must include these materials in their inventory tracking system. It is recommended that inventory tracking processes be included as part of the consultation process with private schools.

Recommendations for Practice

1. **Label materials.** It is best practice to label materials, in particular technology devices, which are purchased with federal funds. Including the funding source from which the materials were purchased on labels alerts staff to the appropriate use of the materials.

2. **Conduct a periodic review.** Districts should develop internal processes to verify that materials purchased with federal funds are being used in accordance with the rules and regulations of the program from which they were purchased. This process should also include relocating materials from schools or programs that are on longer funded.

Questions for Reflection

- Has our district assigned staff to oversee and update the documentation of inventory?
- When was the last time our district updated inventory documentation?
- Who needs to be involved in the periodic review of materials purchased with federal dollars?

Frequently Asked Questions

1. Must consumable materials be tracked?

No. Because consumable materials have a useful life of one year or less they would not be included in an inventory list.

2. How long should assets be tracked?

Assets should be tracked during their useful life. Standard useful life ranges recommended for each asset classification are listed below. These ranges are provided as guidance. However, entities should use professional judgment to select the most appropriate useful life for their assets, which may be different than the useful life ranges listed. In assigning a useful life, entities should consider an asset's present condition and how long it can meet service demands. When capital assets receive additions or improvements, the remaining useful life may need to be evaluated.

<u>Asset Classification</u>	<u>Useful Life Range</u>
Equipment and Machinery	3 to 20 years
Software	3 to 5 years
Hardware	3 to 5 years
Capital Leased Property	Length of lease

3. What happens when assets purchased with federal funds become obsolete?

Obsolete equipment should be marked as such, disposed of according to district policy and the equipment inventory should note the date of the process. Records should be maintained for five years after any transfer/disposal of equipment. If acquiring replacement equipment, an LEA 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.

4. What about materials purchased with federal funds that are lost or stolen?

LEAs are responsible to ensure that internal controls are sufficient to provide reasonable assurance that federal assets are not lost or stolen. If materials are lost or stolen, the district should note this on the inventory tracking sheet and follow district policies and procedures regarding lost and stolen property.

5. What happens to materials purchased with Title I-A funds if a school is no longer receiving federal funds?

When federally funded equipment is housed in a building that is no longer receiving a federal allocation (such as Title I-A), that equipment must be moved to a location served by that federal program.

Resources

- [Electronic Code of Federal Regulations](#) (U.S. Government Publishing Office)
- [Oregon Federal Funds Guide](#) (ODE)
- [Sample Inventory Sheet](#) (ODE)
- [Checklist: Maintain Adequate Inventory Records](#) (TitleIAdmin/ESEANow e-bulletin)