

ESSA Quick Reference Brief: Inventory of Assets Purchased with Federal Funds

Please note: This brief reflects the 2024 revisions to the Uniform Grants Guidance which are effective for all Federal awards issued on or after October 1, 2024.

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 [Uniform Grant Guidance](#) (UGG) which 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”.¹



What It Means

LEAs must maintain an up-to-date inventory of **equipment and unopened supplies** purchased with federal funds **whose value exceeds \$10,000**.² For equipment, this would include non-consumables with a **per-unit value** of \$10,000. For unused supplies, this would include supplies whose **aggregate value** exceeds \$10,000. This applies to items purchased for the LEA as well as participating private schools. *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 \$10,000.³ *Supplies* are defined as all tangible personal property other than those described in equipment. A computer device is considered a supply if the acquisition cost is less than \$10,000, regardless of the length of its useful life. Consumables are not required to be tracked.

While computers and other electronic devices costing less than \$10,000 are considered supplies, they should be included in the inventory tracking system, due to their portability and potential for theft.

Requirements for Inventory Management Systems

Districts must implement an inventory tracking system. 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 and avoids acquisition of unnecessary or duplicate items. Records that must be maintained include:⁴

- Description of the equipment;
- Purchase cost and date;
- Serial number or other identification number;
- Location and/or person it is assigned to;
- Funding source (i.e.; which federal fund was used to purchase the item);

¹ 2CFR 200.302(b)(4)

² 2CFR 200.313 (d)(1); 200.314 (a)

³ 2CFR 200.1

⁴ 2CFR 200.313 (d)(1)

- Percentage of cost paid by program (e.g., 25% paid by Title I-A and 75% paid by Title IV-A);
- Condition of item (new, good, fair, poor); and
- Information regarding the transfer, replacement, or disposition of equipment (date, sale price).

A physical inventory must be conducted and the results reconciled with the property records at least once every two years.⁵ The inventory should be reconciled on a regular basis to update information, particularly the location and condition of items. **In the event that equipment purchased with federal funds is lost, damaged, or stolen, incidents should be noted in the inventory.**

Use of equipment purchased with federal funds

Equipment purchased with federal funds must be used for the benefit of the program which paid for the purchase. In the event the equipment could benefit another funded program, it may be used or shared in the following order:

- other programs funded by the U.S. Department of Education;
- any other federal programs outside of education;
- non-federal programs.⁶

While shared use is allowed, **priority for use always goes to the program which purchased the equipment.**

Disposition of equipment purchased with federal funds

When equipment acquired under a Federal award is no longer needed for any Federally-funded activity, there are several options, depending on the value of the item.

Equipment with a fair market value of \$10,000 or less may be retained, sold, or otherwise disposed of by the LEA. For items with a fair market value exceeding \$10,000, the LEA must request instructions from the State Education Agency (ODE) for how to dispose of the item. The federal government may be entitled to a portion of the proceeds from the sale.⁷

If unused supplies are not needed for any other federal award and the total aggregate value of those supplies exceeds \$10,000, the district may either retain the supplies for use on other non-federal activities or sell them. Whether the supplies are retained or sold, the district must compensate the federal government for its share.⁸

Considerations for Private Schools and Equitable Services

If equipment and supplies are purchased with the equitable share, **they are the property of the district and not the private school.**⁹ This means that the equipment and/or supplies must be included in the purchasing district's inventory the same as other equipment and supplies purchased by federal funds. Additionally, the district is responsible for the maintenance of any equipment purchased with the equitable share.

Equipment and supplies can only be used by eligible participants during activities that are allowable under the purchasing Title program. For example, equipment and/or supplies purchased with Title I-A funds may only be used by eligible Title I-A students, their teachers and/or families during Title I-A equitable service programs. If a private

⁵ 2CFR 200.313 (d)(2)

⁶ 2CFR 200.313 (c)

⁷ 2CFR 200.313 (e)

⁸ 2CFR 200.313 (e)

⁹ 34 CFR 76.661(a)

school ceases to participate in an equitable service program, the equipment and/or supplies must be either returned to the purchasing district or used in another federal program, if allowable under that federal program.

If installation of equipment would require construction or remodeling, it is considered unallowable. All equipment and/or supplies purchased with the equitable share must be easily removed from the private school as it is the property of the purchasing district.¹⁰

Recommendations for Practice

- **Label materials.** As part of the internal controls used to safeguard items purchased with federal funds, it is recommended (but not required) that districts tag computing devices, supplies and portable items that fall below the equipment threshold as these items tend to get lost/stolen at a higher rate than other supplies. Consider the following questions when determining which items to safeguard and/or tag:
 - Will the item last longer than one year?
 - If damaged, would the item be repaired?
 - Is the item easily lost or stolen?
 - Is the item considered valuable?
- **Develop tracking processes.** 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 no 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.
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.
 - Equipment and Machinery – 3 to 20 years
 - Software – 3 to 5 years
 - Hardware – 3 to 5 years
 - Capital Leased Property – Length of Lease

¹⁰ 34 CFR 76.661(c)

3. **Our district purchased a vehicle with federal funds and no longer need it for the program. What do we do?** Under UGG, a vehicle is considered equipment. If the district no longer has use for the vehicle in the program for which it was purchased, it can first consider transferring the vehicle to another federally funded program that could benefit from its use. For example, if a van was purchased with Title I-C funds and the district no longer has transportation needs for migratory children, it could consider using the van to provide transportation to students experiencing houselessness (McKinney-Vento) or students in Foster Care. As part of this process, the district should update its inventory records and include a memo for auditors that includes the reason why the van changed programs, how the van will be used in the new program(s), the property value of the van, copies of the Title and mileage records, and how long it is intended to be used in the new program(s).
4. **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.
5. **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.
6. **What happens to materials purchased with Title I-A funds if a school is no longer receiving Title I-A funds?** When Title I-A funded equipment is housed in a building that is no longer receiving Title I-A funds, districts must follow the requirements for equipment use described in [2CFR 200.313\(c\)](#).

Resources

- [Uniform Grants Guidance \(UGG\)](#)
- [Oregon Federal Funds Guide](#)
- [Sample Inventory Sheet](#)