

INVENTORY PROCEDURES

The following information explains the policies and procedures governing equipment and non-consumable supplies purchased in whole or in part with Carl D. Perkins funds and state funded grants provided by the South Dakota Department of Education

The eligible grant recipient is required to maintain a local inventory of equipment and non-consumable supplies. The local education agency is also responsible for maintaining the equipment/non-consumable supplies and for exercising reasonable care and safe keeping of the items.

If your district is a member of a Perkins Consortium, then your consortium (eligible recipient) is responsible for maintaining an inventory at the consortium level, but it is also strongly encouraged to also maintain an inventory at the district level for reconciliation purposes with the consortium.

I. Definitions

1. **Acquisition Cost**

Acquisition cost of equipment or non-capitalized equipment items purchased means the net invoice price of the units, including any attachments, accessories or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Auxiliary charges such as duty or taxes, protective in-transit insurance, freight or installation may be included as part of the acquisition cost if payment of charges is approved by the Division of Career and Technical Education when reimbursement is made for such items. (2 C.F.R. Part 200.2)

2. **Capitalized Equipment**

Includes machinery and other items of tangible property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000 at time of acquisition, or exceeds the capitalization level established by the non-federal entity for financial statement purposes. (2 C.F.R. Part 200.33)

3. **Eligible Recipient**

Eligible recipients include:

- a. Local Educational Agency or a consortium
- b. An eligible institution or consortium of eligible institutions eligible under Perkins Act, Section 132. (Perkins Sec.3(14))

4. Equipment

For purposes of this document, equipment will collectively refer to both capitalized equipment and non-capitalized equipment unless identified more specifically as capitalized versus non-capitalized.

5. Federal Interest

For purposes of 2 C.F.R. 200.329 reporting on real property or when used in connection with the acquisition or improvement of real property, equipment, or supplies under a federal award, the dollar amount that is the product of the:

- a. Federal share of total project costs; and
- b. Current fair market value of the property or cost of acquiring the property as project costs (2 C.F.R. Part 200.41)

6. Non-Capitalized Equipment

Supplies and materials which are not consumable. The acquisition cost is less than the LEA's capitalization policy threshold. This category generally includes the purchase of smaller computer and technology equipment that will not be capitalized.

7. Supplies and Materials

Items of an expendable nature that are consumed, worn out, or deteriorated by use or items that lose their identity through fabrication or incorporation into different or more complex units or substances.

8. State Office

Department of Education, Division of Career and Technical Education (DCTE).

9. Subrecipient

A non-federal entity that receives a subaward from a pass-through entity (State) to carry out part of a Federal program. This is a consortium or local education agency eligible to receive funds under the Perkins Act, Section 131, or a postsecondary institution eligible to receive funds under the Perkins Act, Section 132 (2 C.F.R. Part 200.93)

10. Useful Life

The period of time for which an item can be used for the purposes for which it was purchased. Useful life is not defined by a depreciation schedule.

II. Title

The title to equipment acquired under a Federal award will vest upon acquisition in the subrecipient. That is, equipment becomes the property of the eligible recipient. DCTE may reserve the right to transfer the title to other eligible subrecipients.

III. Purchasing

1. The subrecipient is responsible for purchasing equipment, supplies and materials approved by DCTE for use in career and technical education programs. All local and state laws, regulations and procedures must be followed in the purchase of equipment, supplies and materials. (For example, if the subrecipient's policies require formal bids, then formal bids must be obtained.) After the subrecipient has been notified that equipment, supplies and materials have been approved for purchase, such items must be purchased or a signed purchase order should be executed as soon as possible. DCTE may specify a deadline for purchases.
2. The subrecipient must attain three unrelated bids for any supplies or services that exceed the micro-purchase threshold of \$3,000. Bids must be from unrelated companies.
3. Equipment purchased by subrecipients with funds provided by DCTE must meet all federal and state occupational safety and health administration rules and regulations. Subrecipients must require compliance of all rules and regulations by the vendor before purchase is made.
4. The subrecipient is encouraged to plan a systematic method for continually updating equipment to avoid obsolescence and fluctuating budgets from year to year.
5. Equipment, supplies and materials must be received and be operational in sufficient time to make an impact on the program(s) during the current school year.
6. All purchased equipment must have adequate insurance coverage.
7. All equipment must be identified as Perkins-purchased equipment with a permanent label or other identification system supplied by the subrecipient. The assigned identification tag must be attached or the inventory number engraved on the equipment.
8. Rebates or coupons must be deducted to the original item cost in order to determine the eligible cost for federal funding.

IV. Use of Equipment Purchased with Funds Provided by the South Dakota Division of Career and Technical Education

1. Equipment Purchase

Equipment and non-consumable items purchased for a specific career and technical education program must be located in that program. Career and technical education equipment and non-consumable items may be used for other instructional programs if the other use of the equipment/non-consumable items is outside of regular school hours.

2. Repair and/or Replacement of Equipment Lost, Damaged, Stolen or Destroyed

The subrecipient shall be solely responsible for the repair and/or replacement of any item lost, damaged, stolen or destroyed. No reimbursement will be made by DCTE to the subrecipient for any loss, damage, theft or destruction of the equipment. The outcome of the item that was lost, damaged, stolen or destroyed must be documented in subrecipient's inventory. Records for items disposed of must be retained for 5 years.

3. Inventory Control System

A control system for all equipment (capitalized and non-capitalized) and non-consumable items shall be in effect by the subrecipient to ensure adequate safeguards for the prevention of loss, damage, theft or destruction of the equipment.

- A. The subrecipient will be responsible for replacing or repairing (with non-federal funds) equipment that is lost, damaged, destroyed or stolen.
- B. A physical inventory must be taken and the results reconciled with property records at least once every two years.

4. Maintenance of Equipment

Adequate maintenance procedures, such as maintenance contracts, shall be implemented by the subrecipient to keep the equipment in good working condition. The cost of maintaining equipment must be paid by the subrecipient and is not the responsibility of DCTE.

5. Inventory Tags

All equipment must be tagged upon receipt of equipment. Tags or other means of identification that are different from local inventory will be provided by the subrecipient.

6. Property Records

Property records shall be maintained accurately for each item of equipment. The records shall include the following information:

- A. A description of the property

- B. A serial number or other identification number
- C. The source funding for the property (Including Federal Award Identification Number)
- D. Name of entity that holds title
- E. The acquisition date
- F. The cost of the property
- G. The percentage of federal participation in the cost of the property
- H. The location of the item
- I. Use and condition of the property
- J. Any ultimate disposition data including the date of disposal and sale price of the property. Records must be retained for 5 years post disposition per records retention rules.

V. Disposition

When there is no longer a need for a specific piece of equipment to accomplish the purpose of the career and technical education program, or if the equipment becomes worn out or obsolete, the subrecipient will dispose of the equipment using the following process:

1. Disposition of equipment

- A. Subgrantees may use equipment for other approved CTE programs within the subrecipient's district or member district (if subrecipient is a consortium) if the use is for the same purpose for which the item was purchased.
- B. **Non-Capitalized** Equipment Disposition Procedure
 - 1. Offer the equipment to other approved CTE programs, as appropriate for relevant purposes.
 - a. If District is the subrecipient – Offer to other appropriate CTE programs within the district.
 - b. If Consortium is the subrecipient – Offer to programs at a member district within the consortium.
 - 2. Notify DCTE Grants Specialist of items to be surplus.
 - 3. DCTE will notify all other eligible subrecipients about the surplus equipment. DCTE will determine who will receive the equipment. Shipping or other costs incurred in transferring the equipment will be paid by the receiving school.
 - 4. If no other subrecipient wants the surplus non-capitalized equipment, DCTE will notify the subrecipient that they may surplus the non-capitalized equipment per subrecipient disposition policies.

- C. **Capitalized** Equipment Disposition Procedure
1. Offer the equipment to other approved CTE programs, as appropriate for relevant purposes.
 - a. If District is the subrecipient – Offer to other appropriate CTE programs within the district.
 - b. If Consortium is the subrecipient – Offer to programs at a member district in the consortium.
 2. Notify DCTE Grants Specialist of items to be surplus or sold.
 - a. If subrecipient wants the capitalized equipment to be transferred to another subrecipient, DCTE will notify all other eligible subrecipients about the capitalized equipment. DCTE will determine who will receive the equipment. Shipping or other costs incurred in transferring the equipment will be paid by the receiving school.
 - b. If subrecipient wants to sell the property:
 - i. Fair market value must be determined and a Perkins Disposition Form must be completed. Fair market value is the value of the item on the open market. A copy of the sales receipt must be submitted with the disposition form.
 - ii. The federal interest in the equipment is determined by the proportion of the federal share in the acquisition cost. The percentage of the federal share is then multiplied by the amount received by the sale to determine the federal interest.
 - iii. The federal interest must be used to purchase more equipment and a Perkins Federal Interest Transfer Worksheet must be submitted and approved by DCTE for new purchases.
 - iv. Inventory records must document the sale of the item(s) sold and new records created for items purchased with the federal interest.
 - c. If the subrecipient trades the equipment in, the amount of the credit must be deducted from the sales price in order to determine the eligible cost of the new equipment. Federal funds cannot be used to pay the original price prior to the rebate deduction. Coupons and rebates must be properly documented in the transaction.
- D. Broken Equipment – If a piece of equipment is broken and no longer usable, the subrecipient must document the disposal of the item and indicate the condition in the inventory at time of disposition. These records must be kept for 5 years per records retention rules.

VI. Termination of Program

1. Upon receiving notification from the subrecipient of the termination of an approved career and technical education program, DCTE will determine the time and method of disposition of the equipment. It is the sole responsibility of DCTE to determine whether the equipment is to be transferred to another subrecipient, sold, traded or retained by the subrecipient.
2. The actual disposition of the equipment may be accomplished by moving it to another approved career and technical education program. Actual physical transfer of equipment shall be determined by DCTE.

VII. Programs That Do Not Accept Perkins Funds

1. If a program chooses to not accept Perkins funds, but continues to offer approved CTE programs:
 - i. LEA must return any inventory that has federal interest, any item with a current fair market value greater than \$5,000, to the state.
 - ii. LEA may retain any supplies, materials and non-capitalized equipment as long as they continue to have an approved CTE program for which the items were purchased.
2. If program chooses to not accept Perkins funds and does not offer approved CTE programs
 - i. LEA must return all items purchased with Perkins that have value

VIII. Records Retention

1. All items that have value must be kept in the subrecipient's inventory.
2. Items that were disposed of must continue to be listed in the inventory 5 years following the date of disposition and must list the outcome of the disposition (i.e. broken and disposed, transferred to [Name] consortium, stolen, etc.)