

Inventory and Sale of Federally Funded Equipment

Division of School Finance

December 16, 2011

Background

During a Regional Resource Center call for fiscal personnel in the member states, Deb Morrow, Director of the Office of Special Education Programs (OSEP) was questioned by Minnesota as to what states are to do when the value of the sale of the property is \$5,000 or more. The discussion included Education Department General Administrative Regulations (EDGAR) 34 CFR 80.32(g)(2) that states:

“The Federal awarding agency shall issue disposition instructions within 120 calendar days after the end of the Federal support of the project for which it was acquired. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar-day period the grantee shall follow §80.32(e). 34 CFR 80.32 (e) states: If current Per-unit fair market value is less than \$5,000, the equipment may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.”

If Items of equipment with a current per unit fair market value is in excess of \$5,000, the equipment may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

Deb Morrow confirmed that the funds are not to be returned to the U.S. Department of Education and that the state may have the funds returned to the state or be considered local funds by the LEA. The funds must be used for special education. The SEA is responsible for assuring that any funds from the proceeds of a sale of equipment are used for special education. Based upon this communication MDE is implementing a new procedure for LEAs to follow in the disposition of equipment with a current per-unit market value in excess of \$5,000:

Federal Equipment Inventory and Record Retention

The following information is for federally purchased inventory only and does not affect items purchased with state special education aid.

This guidance is for the disposition of a federally purchased asset greater than \$5,000 or a federally funded inventory item greater than \$5,000 and does not affect items purchased with state special education aid.

Inventory Records

34 CFR 80.32 (d) (1)

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Inventory Reconciliation

34 CFR 80.32 (d) (2)

A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Records Retention

34 CFR 74.53 (a)(2)

Records for real property and equipment acquired with federal funds shall be retained for three years after final disposition.

Procedures for Disposition of Equipment in Excess of \$5,000

1. The LEA shall establish a Uniform Finance Accounting and Reporting Standards (UFARS) unique Course Code for the purpose of tracking the receipt(s) and expenditures of the sale of a piece of equipment that was federally funded.
2. The LEA will notify the Division of School Finance in writing of the equipment sale. The notice shall include a description of the equipment, the date of sale, the proceeds of the sale, and the unique Course Code established by the LEA that will designate the use of these funds.
3. The LEA shall receipt the funds from the sale of the equipment with the appropriate UFARS Source Code and established Course Code.
4. The LEA may use a general journal entry to transfer \$500 or ten percent of the proceeds, whichever is less, for the LEA's selling and handling expenses.
5. The remaining funds from the sale of the equipment shall be used only for the purpose of the delivery of special education and related services and shall be accounted for using UFARS Program Code 400, Course Code as established with the appropriate expenditure UFARS Object Code. For example, special education instructional supplies would be coded: 01-XXX-400-000-433-YYY where YYY = unique UFARS Course Code.
6. The LEA has to expend the funds from the sale of the equipment in the current fiscal year.
7. The LEA needs to be aware that these expenditures shall not be included in the calculation of the Maintenance of Effort requirement of the Individuals with Disabilities Education Act (IDEA).
8. The LEA must submit an "Activity Report" to the Division of School Finance at the end of the fiscal year to document expenditures.

Procedures for Disposition of Equipment less than \$5,000 – 34 CFR 80.32 (e)(1)

1. If current per-unit fair market value is less than \$5,000, the equipment may be retained, sold or otherwise disposed of with no further obligation.

A record of the date, reason, and method of disposal or sale must be maintained with the equipment inventory.