

Safeguarding Assets Purchased with Title I, Part A Funds

[2 CFR 200.302\(b\)\(4\)](#) states, “The financial management system of each non-federal entity must provide for effective control over, and accountability for, all funds, property and other assets. The non-federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

Maintenance of financial management systems which align and comply with federal systems management requirements is a responsibility of districts receiving Title I, Part A funds. Although specific inventory requirements exist for items considered equipment, districts may use discretion in determining how other purchases are safeguarded. The financial management system applies to items purchased for the district, public schools and private/non-public schools (including home schools) alike.

Purpose of Safeguarding Assets

- Prevents loss, damage and theft.
- Discourages unauthorized use.
- Assists districts in determining if there is a need to purchase additional items.
- Avoids acquisition of unnecessary or duplicate items.
- Helps demonstrate that purchases are reasonable, allocable and necessary.
- Compliance with the general procurement standards found in [2 CFR 200.318](#).

Definitions under [2 CFR 200.1](#)

- **Acquisition cost** – The cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Acquisition cost for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in transit insurance, freight and installation may be included in or excluded from the acquisition cost in accordance with the non-federal entity's regular accounting practices.
- **Computing devices** – Machines used to acquire, store, analyze, process and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving or storing electronic information. Examples: Chromebooks, tablets, calculators, printers, etc.
- **Equipment** – 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 the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000. An inventory of equipment must be maintained

under [2 CFR 200.313](#). Examples: Copier, 3D printer, etc. Please note that the “per unit” cost may include any costs for the item to be operational, such as installation costs.¹

- **Information technology systems** – Computing devices, ancillary equipment, software, firmware and similar procedures, services (including support services) and related resources.
- **Non-federal entity** – A state, local government, Indian tribe, Institution of Higher Education or nonprofit organization that carries out a federal award as a recipient or subrecipient.
- **Supplies** – All tangible personal property other than those described in the definition of 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. Examples: Textbooks, office supplies, computing devices, consumable items, etc. A computing device is a supply if the acquisition cost is less than \$5,000.

Additional Terminology

- **Consumable items** – Items which must be replaced regularly because they wear out or are used up such as paper, pencils, books, etc.
- **Pilferable items** – Items which may be easily lost or stolen. Pilferable items (sometimes called walkable items) such as cameras, graphing calculators and tablets, which have a useful life of more than one year, should be safeguarded to prevent loss or theft.

How to Create an Equipment Inventory Management System

An inventory of items meeting the definition of equipment is required under [2 CFR 200.313\(d\)](#). The district should develop a procedure for entering information into the inventory management system to provide adequate controls for the location of equipment, custody of equipment and security of equipment. A district may manage inventory through a spreadsheet or opt to use one of the many types of inventory software available. Although a physical inventory is only required every two years, a hardcopy of inventory should remain current in the event of an audit by either the Kentucky Department of Education (KDE) or United States Department of Education (ED). The Title I coordinator and principal at a Title I school are responsible for the maintenance of equipment purchased with Title I funds for that school. A copy of the inventory

¹ Districts should use their discretion in these scenarios and always follow their written procedures. For example, if an item costs \$4,500 and an \$800 installation included on the same invoice, a best practice would be to consider that item to be equipment. Conversely, if an item costs \$2,500 and there is a separate invoice for \$3,000 of installation, that item would not be required to be considered equipment unless the district’s written procedures state the item will be inventoried as equipment. See the definitions of acquisition cost and equipment on p. 1 for further information.

should be kept at both the Title I school and the district Title I office. The following information must be included in inventory records:

- A **description** of the equipment (the type and model)
- A **serial number**, identification number or model number
- **Funding source, Federal Award Identification Number (FAIN) and percentage (who holds title)** under which the equipment was acquired.
 - For the purpose of this document, the funding source is **Title I, Part A. The grant award year** also should be included.
- **Vendor**
- **Acquisition date** (delivery date)
- **Unit cost** (*not* total cost)
- **Location** (school and location within the school [library, classroom 200, etc.])
- **Use** of the equipment (Title I classroom, Title I afterschool program, Title I administration)
- The **condition** of the equipment (new, good, fair, poor)
- The **date** the information was reported on the inventory
- Information regarding the transfer, replacement or disposition of equipment (date of disposal, sale price of equipment)

Maintaining this information helps provide control over the assets purchased with Title I, Part A funds as well as accountability that all purchases are being used appropriately. The following table is a sample inventory template:

Today's Date	Description of Item	Serial Number	Funding Source	Vendor	Acquisition Date	Unit Cost	School	Location	Use	Condition	Disposition/Comments
3/31/2023	TI-84 Graphing Calculator	84PL/TBL/1L1	Title I	Jones Office Supplies	4/4/2023	\$100	Maple HS	Room 100	Title I Classroom, Math	New	

The inventory should be reconciled on a regular basis to update information, particularly the location and condition of items.

Disposition of Equipment and Supplies

[2 CFR Part 200.313\(e\)](#) details the disposal of original or replacement equipment acquired under a federal award which is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the federal awarding agency.

[2 CFR Part 200.314\(a\)](#) details the requirements for the disposal of unused supplies upon termination or completion of the project or program. If the supplies are not needed for any other federal award and the total aggregate value of the supplies exceeds \$5,000, 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 according to the procedures outlined in [2 CFR 200.313\(e\)\(2\)](#).

Safeguarding Assets Other than Equipment

Districts must develop an internal process to demonstrate that they are providing effective control and accountability for expenditures made with Title I, Part A funds for the school district **and for any non-public schools participating in equitable services**. Examples of effective controls include, but are not limited to, inventory and tagging/labeling purchases. The district must provide this process and evidence of its implementation to KDE in the event the district's Title I program is monitored. KDE recommends that all non-consumable items purchased with Title I, Part A funds which do not meet the equipment capitalization threshold of \$5,000 per unit be treated as equipment for the purpose of safeguarding. This means that although the items would not be subject to the acquisition and disposition requirements of equipment, while in use by the district the items would be inventoried and tagged.

According to the [KDE Capital Asset Guide](#), the recommended capitalization threshold for technology equipment is \$5,000. Workstations/laptops are no longer required to be capitalized, unless they meet the threshold, but should be tracked for control purposes. A workstation is the central processing unit (CPU). Should a district decide to capitalize workstations, the cost of the monitor, mouse, keypad and freight and installation can be included but is not required.

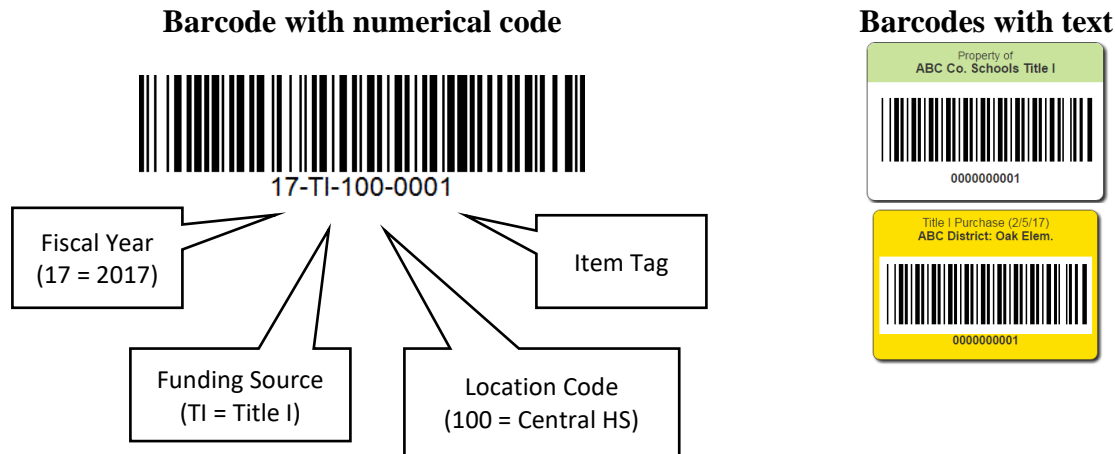
Tagging or Labeling Title I Purchases

As part of the internal controls used to safeguard items purchased with Title I funds, it is strongly recommended (but not required) that districts tag computing devices, supplies and pilferable items that fall below the equipment threshold as these items tend to get lost/stolen at a higher rate than other supplies. Please note that although KDE does not require tagging, it may still be required under district policies. Tagging should be done in a manner that allows the item to be quickly identified as property of a federal program. Labels should be permanent in nature. Examples of permanent labeling include using label makers or permanent markers. Districts should consider tagging these items purchased with Title I funds with the following information:

- District name
- Identify that the purchase was made with Title I funds (i.e. Purchased with Title I Funds/Property of Title I Program)

The district may include additional information on labels at its discretion.

Many districts use a barcode system linked to the inventory for all purchases made by the school or district, regardless of the funding source. One of the goals of a barcode system is to allow for quick identification. Some examples of barcodes are provided on the following page.



The barcode on the left represents a numerical code created by the district which includes pertinent data on the inventory item such as fiscal year, funding source, location code and item number. This method of tagging requires all district employees be familiar with all aspects of the code (such as the code for each school), as opposed to the barcodes on the right which include the information in text form.

Guiding Questions

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?

Asset Maintenance in a Targeted Assistance or Private/Non-Public School

In Targeted Assistance Schools (TAS) or private/non-public schools, Title I funds can only be used by Title I students. Equipment and supplies purchased for TAS and private/non-public schools should be easily identified as having been purchased with Title I funds and stored in a location which ensures they are used only by Title I students.

Section 1117(d)(1) of the Every Student Succeeds Act requires that the control of Title I funds, and the ownership of the materials and equipment purchased with Title I funds for non-public schools shall be in the district, and the district shall administer the funds, materials, equipment and property. Non-consumable items such as computers purchased for equitable services for non-public schools should be returned to the district when they are no longer needed at the non-public school. The district should follow the same disposition plan for materials and equipment purchased for non-public schools as with any materials or equipment purchased with Title I funds in a public school.