

CSBA Sample

Administrative Regulation

Business and Noninstructional Operations

AR 3440(a)

INVENTORIES

Note: Education Code 35168 requires the Governing Board to establish and maintain an inventory of all items of equipment with a current market value above \$500, as provided in item #1 below. Generally, the Board delegates this authority to the Superintendent or designee.

For equipment purchased with federal funds, unless the program is specifically exempted, 34 CFR 80.3 and 80.32 2 CFR 200.313 requires that districts conduct inventories of equipment acquired in whole or in part with federal grant funds, and 2 CFR 200.33 defines "equipment" as require districts to maintain inventory records of "tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit that exceeds \$5,000 or the capitalization level established by the district for financial statement purposes, whichever is less. In the state's Federal Program Monitoring (FPM) process, the California Department of Education (CDE) reviews whether the district maintains an inventory record for each item of equipment with an acquisition cost of \$500 or more per unit that is purchased with state and/or federal categorical funds. Thus, it is recommended that districts maintain inventories of equipment with an acquisition cost of \$500 or more per unit, as provided in item #2 below.

The district may specify lower amounts for items #1 and #2 below.

Note that the acquisition cost threshold amount established for the equipment inventory need not be the same as the threshold amount established for identifying capital assets for accounting purposes; see BP 3400 - Management of District Assets/Accounts. As explained in the CDE's California School Accounting Manual, all capitalized items should be inventoried, but not all inventoried items should be capitalized.

In order to provide for the proper tracking and control of district property, the Superintendent or designee shall maintain an inventory of equipment in accordance with law for the following:

1. All equipment items currently valued in excess of \$500 (Education Code 35168)
2. All equipment items purchased with state and/or federal categorical funds that have a useful life of more than one year with an acquisition cost of \$500 or more per unit

(cf. 3290 - Gifts, Grants and Bequests)

(cf. 3400 - Management of District Assets/Accounts)

(cf. 3512 - Equipment)

Note: The following **optional** paragraph may be revised to reflect district practice. According to the California School Accounting Manual, some districts choose to inventory certain items, such as computers, audiovisual equipment, and furniture, even if their cost is lower than the threshold defined by law.

In addition, the Superintendent or designee may maintain a list of specific items which shall be inventoried for internal control purposes regardless of their initial cost or current value.

The inventory shall contain a record of the following information: (Education Code 35168; 5 CCR 3946)

AR 3440(b)

INVENTORIES (continued)

1. Name and description of the property
2. Identification number
3. Original cost of the item of equipment or a reasonable estimate if the original cost is unknown
4. Date of acquisition
5. Location of use
6. The date and method of disposal

(cf. 3270 - *Sale and Disposal of Books, Equipment and Supplies*)

Note: Items #1-5 below are for use by districts that have used state and/or federal categorical funds to purchase equipment with an initial cost over the threshold established by law or the district. The district may merge this list into the list above in order to provide consistent procedures for all district equipment.

In addition to the information specified in items #1-6 above, the following information shall be recorded for equipment acquired with state and/or federal categorical funds unless otherwise specified in law: (~~34 CFR 80.32~~; 5 CCR 3946; **2 CFR 200.313**)

1. Source of the property (funding source)
2. Titleholder
3. Percentage of federal participation in the cost of the property
4. Use and condition of property
5. Sale price of the property upon disposition and method used to determine current fair market value

(cf. 3230 - *Federal Grant Funds*)

At the time of purchase, the Superintendent or designee shall affix a label to the equipment containing the identification number and the district name. Equipment items purchased with categorical program funds shall also be labeled with the name of the project in accordance with 5 CCR 3946.

Note: The following **optional** paragraph provides for tracking of items that are moved from their original location. For additional requirements regarding safeguards for equipment purchased with categorical program funds, see AR 3512 - Equipment.

INVENTORIES (continued)

Whenever an equipment item is moved to a new location or the equipment is used for a new purpose, the new location or purpose shall be recorded in the inventory.

Note: 5 CCR 3946 requires that the inventory of equipment purchased with state and/or federal categorical funds be maintained at the district office and appropriate school site. The following **optional** paragraph has been expanded to apply to all inventories conducted by the district and may be revised to reflect district practice.

A copy of the inventory shall be kept at the district office and at the appropriate school site.

(cf. 3580 - District Records)

The Superintendent or designee shall annually submit an inventory listing of federally owned property in its custody to the federal agency that granted the award. (2 CFR 200.312)

Physical Inventory

Note: The FPM process for both state and federal categorical programs includes a determination as to whether the district has conducted a physical inventory of equipment within the past two years in accordance with **34 CFR 80.32, 2 CFR 200.313** as provided below. The California School Accounting Manual recommends that districts conduct a physical inventory at least once a year. The district may revise the following paragraph to specify a timeline shorter than two years.

At least once every two years, a physical inventory of equipment shall be conducted and the results reconciled with the property records. (**34 CFR 80.32 2 CFR 200.313**)

Note: The following two paragraphs are **optional**. The California School Accounting Manual includes recommended procedures for conducting a physical inventory, including procedures for preparing for the inventory, conducting the inventory count, and recounting. The following paragraph may be revised to reflect any specific district procedures for the physical inventory.

The Superintendent or designee shall establish procedures for conducting the physical inventory which shall include, but not be limited to, designation of person(s) responsible for coordinating and conducting the inventory, preparation and distribution of count sheets, procedures for implementing the inventory, and procedures for conducting a recount to substantiate the validity of the inventory.

The Superintendent or designee shall investigate any differences between the quantities determined by the physical inspection and those in the accounting records.

Legal Reference: (see next page)

INVENTORIES (continued)

Legal Reference:

EDUCATION CODE

35168 *Inventory of equipment*

CODE OF REGULATIONS, TITLE 5

3946 *Control, safeguards, disposal of equipment purchased with consolidated application funds*

16022-16023 *Classification of records*

16035 *Historical inventory of equipment*

UNITED STATES CODE, TITLE 20

2301-2414 *Carl D. Perkins Career and Technical Education Act*

CODE OF FEDERAL REGULATIONS, TITLE 2

200.0-200.521 Federal uniform grant guidance

CODE OF FEDERAL REGULATIONS, TITLE 34

80.1-80.52 Uniform administrative requirements for grants to state and local governments

Management Resources:

CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS

California School Accounting Manual, 2008

OFFICE OF MANAGEMENT AND BUDGET COMMUNICATIONS

Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, rev. May 10, 2004

WEB SITES

California Association of School Business Officials: <http://www.casbo.org>

White House, Office of Management and Budget: <http://www.omb.gov>

<https://www.whitehouse.gov/omb>

School Services of California, Inc.: <http://www.sscal.com>