



**Office of Adult Education Memorandum 24.9.12**

**DATE:** September 12, 2024

**TO:** Adult Education Program Administrators

**FROM:** Dr. Cayanna Good, Assistant Commissioner of Adult Education

**RE:** Inventory Management and Understanding “Pilferable” Items

**Purpose**

This memo provides comprehensive guidance for adult education programs on managing inventory in compliance with federal and state regulations, including the Uniform Grant Guidance (UGG) and the State of Georgia Accounting Office’s (SAO) Policies and Procedures.

**Key Points**

- There are both federal and state of Georgia regulations pertaining to inventorying supplies and equipment. The state of Georgia regulations are more stringent; therefore, all programs that receive federal Adult Education and Family Literacy Act (AEFLA) and state matching funds must follow the more stringent requirements.
- The organization must ensure that their local organization’s policies and procedures allow them to meet state and federal requirements pertaining to inventory and that the program is following these policies.
- To ensure compliance with federal and state requirements, programs must inventory any item over \$1,000 in value as well as pilferable items.
- Programs must conduct a physical inventory annually.
- When supplies or equipment are no longer needed, programs must ensure appropriate disposal per [SAO disposition requirements](#) and [2 CFR 200.313](#).

**Key Federal and State Regulations**

<b>Federal: 2 CFR part 200 – Uniform Grant Guidance</b>	
2 CFR 200.1	Provides applicable definitions
2 CFR 200.313 & 2 CFR 200.439	Use, Management, and Disposition of Equipment
2 CFR 200.314 & 2 CFR 200.453	Use & Disposition of Supplies
2 CFR 200.311	Use & Disposition of Real Property
<b>State</b>	
TCSG Policy 3.3.5	Inventory Management Policy
Georgia State Accounting Policy Manual	SAO Accounting Policy Manual
Georgia Surplus Property Manual	DOAS Rules & Regulations

## Definitions

2 CFR 200.1 includes the following definitions related to equipment, supplies, and inventory.

- Equipment is defined as *an article of 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*. Please note that state and local governments may set a lower threshold for defining equipment, but not a higher one. Georgia's State Accounting Office (SAO) defines equipment as a per-unit acquisition cost of \$1,000. If a local entity sets an even lower threshold, the local program must use that lower threshold for defining equipment.
- General purpose equipment is defined as *equipment which is not limited to research, medical, scientific, or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles*.
- Special purpose equipment is defined as *equipment which is only used for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers*.
- Supplies are defined as *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 \$10,000, regardless of the length of its useful life*. Please note that state and local governments may set a lower threshold for defining supplies, but not a higher one. If a local entity sets a lower threshold, the local program should utilize the lower threshold for defining supplies.
- Information technology systems are defined as *computing devices, ancillary equipment, software firmware, and other similar procedures, services (including support services), and related resources*.
- Computing Devices are defined as *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*.

- Pilferable is not a term included in the Uniform Grant Guidance. However, “pilferable” items are generally defined as items that may be easily lost or stolen and have a ready resale value, regardless of designation as equipment versus supply. The “walkability,” or ease of transporting the items, requires that they be inventoried. Items purchased with federal and state matching funds that are “pilferable,” regardless of cost, must be inventoried. Examples of pilferable items include, but are not limited to, the following:

Item(s)	Pilferable/Not Pilferable
Cell phones	<b>Pilferable</b>
iPads/Tablets	<b>Pilferable</b>
Cameras/Camcorders	<b>Pilferable</b>
Projectors/Document Cameras	<b>Pilferable</b>
Printers	<b>Pilferable</b>
Computer Equipment (Monitors, Hard drives, laptops, etc.)	<b>Pilferable</b>
Televisions	<b>Pilferable</b>
Smartboards	<b>Not Pilferable</b>
Furniture	<b>Not pilferable</b>

While some items may technically be “walkable” (i.e., pens and pencils), program administrators should consider the following factors when determining how to protect the assets without creating undue burden. Generally, Program Administrators should determine:

- Can the item reasonably be resold?
  - For example, a box of Sharpies may technically be “walkable,” but is the item likely to be resold? Probably not. Dedicating the time to inventory every box of writing utensils may create an unnecessary burden for program staff while not demonstrably improving the integrity of the inventory control system.
- Do the supplies in question have an aggregate cost of \$200 or more? <sup>1</sup> If no, those items do not need to be inventoried.
  - For example:
    - The program has a large unopened box of staplers valued at \$100. Because the value is under \$200, it does not need to be inventoried. While staplers may technically be walkable, they have no ready resale value; and therefore, do not need to be inventoried.
    - The program has an unopened box of heavy-duty laptop backpacks that were purchased for their lending library. The aggregate value is under \$200; however, these items can be resold and should be tracked to ensure the program maintains and distributes the assets appropriately.

<sup>1</sup> Official Code of Georgia 50-5-146

- Please note that if the box has been opened, the item is considered “consumed” and does not have a resale value.

### **Inventory Management**

The Uniform Grant Guidance requires subrecipients to have written policies and procedures, as well as an inventory management system, that tracks equipment and pilferable items purchased with federal and state matching funds. The following section outlines: necessary policies and procedures, regulations and recommendations for inventory management, recommendations for safeguarding equipment and supplies, and the regulations for disposal of equipment and supplies.

#### **Inventory Policies and Procedures**

Per 2 CFR 200, programs must have written policies for purchasing, acquiring, managing, and disposing of supplies and equipment. Policies and procedures should address questions such as:

- Who is responsible for maintaining inventory items?
- How often is physical inventory conducted?
- How is the physical inventory reconciled with the property records?
- Who reviews the reconciliation report?
- What steps are taken in the event of loss or damage to an inventory item?

Program Administrators are responsible for ensuring they understand and follow their local organization’s policies and procedures and that those policies and procedures meet the federal and state requirements outlined in this memo.

#### **Maintaining Inventory Records**

Per TCSG Policy 3.3.5, accurate inventory records must be maintained for all property items costing \$1,000 or more and having a life expectancy of at least three years, except for computer software. Computer software shall be inventoried per state guidelines issued by the Department of Accounts.

Inventories must be current and available for review and audit. 2 CFR 200.311, 2 CFR 200.313, and 2 CFR 200.439 states that the following information must be included in the recipient’s inventory records:

- A **Description** of the item;
- A serial number, model number, or other **identification number**;
- The **funding source** and **percentage** under which the equipment was acquired, including the Federal Award Identification Number (FAIN). Equipment purchased with federal funds shall be identified to indicate federal ownership by specific federal program (i.e. AEFLA);
- Identify owner/title holder of the property;
- The **acquisition date** and **unit cost** at time of acquisition;
- The **present** location of the equipment;

- Indication of the **use** of the equipment (i.e., instruction, professional learning, administration, etc.);
- The **condition** of the equipment; and
- All pertinent information related to the final transfer, replacement, or **disposition** of the equipment (including the date of disposal and sale price of the equipment).

Effective inventory tracking includes, but is not limited to, detailed procedures regarding the following:

- Accountability – Assigning a custodian to every equipment item
- Location Control – Maintaining an accurate location for the item
- Loss Control – Maintaining adequate records to ensure that the item is still available for use and/or identify when an item is missing in a timely manner
- Physical Inventory – Maintaining records to verify current locations and conditions of each item
- Value Assignment – Assigning a value of equipment to assist in the preparation for eventual disposition

### Safeguarding Equipment

The organization must ensure there are appropriate controls to safeguard equipment and supplies. Types of controls can include locks or security cameras for particularly valuable or vulnerable items; limited access to storage areas; use of logs or sign-in sheets for certain items of property (e.g., iPads, laptops, cameras, projectors); and procedures for promptly entering items received into the inventory management system.

### Physical Inventory

Physical inventories serve the following purposes: to verify the existence of equipment and supplies, the current utilization of equipment and supplies (i.e., is it being used for its intended purpose?), the continued need for equipment or supplies, and condition of the equipment or supplies. If a program cannot locate an item purchased with federal or state matching funds, it is difficult to demonstrate the item was necessary for the performance of the grant, reasonable, or benefitted the program that paid for the item.

Per 2 CFR 200.313(d), *a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years; control systems must be developed to ensure adequate safeguards to prevent loss, damage, or theft must be investigated; and adequate maintenance procedures must be developed to keep property in good condition.* However, states may require standards above and beyond federal law, which is the case for the State of Georgia. As such, **physical inventory checks are required annually for all equipment and supplies over \$1,000** and must be signed off by the individual conducting the check. To facilitate proper tracking of property, programs should tag any item over \$1,000, as well as pilferable items. The asset tag must be affixed to the equipment in a location that can be easily read. The asset tag should have a unique inventory number so the item can be tracked.

## Disposition Requirements

Once TCSG awards funds to local programs, title to equipment and supplies purchased with those funds vests in the subrecipients, not TCSG. To the extent that State rules on equipment and supplies are more restrictive (e.g. lower threshold on equipment, more frequent inventory, etc.) those more restrictive rules apply to local programs regardless of their status as a technical college, CBO, school district, or other entity eligible to receive Title II funds. However, if a local program enters into a contract with a vendor, those vendors are not subject to any of the federal rules on equipment.

When a local program no longer needs equipment for the original program for which it was purchased, the program has two options:

1. The program can sell the equipment and/or supplies and use the proceeds to purchase replacement equipment for the AEFLA program under 2 CFR 200.313(c)(4); or,
2. The program can follow the disposition rules under 2 CFR 200.313(e).

In the unlikely scenario that the fair market value of the equipment (per unit) exceeds \$10,000, then those funds must be remitted to the federal government though programs may retain less than \$,1000 for administrative costs. If the fair market value of the equipment (per unit) is below \$10,000, then the revenues belong to the local program. Equipment may be disposed of with no obligation to the Federal awarding agency if **ALL** of the following criteria are met:

- Equipment is no longer needed in the current program;
- Equipment is not needed in other programs currently or previously funded by a federal agency; and,
- Equipment has a current per-unit fair market value of less than \$10,000.

Because subrecipients have no legal relationship with the U.S. Department of Education, TCSG, as the pass-through entity, must be involved in processing the financial transaction to DOE. If the disposition of equipment will result in compensation to the Federal awarding agency, local programs must notify OAE in writing as soon as possible prior to executing the final disposition. OAE will assist in coordinating compensation to the Federal awarding agency.

## Supplies

While all supplies may not meet the criteria to be formally inventoried (i.e., only pilferable supplies must be inventoried), programs must maintain enough information about their purchases to prove all costs are necessary, reasonable, and allocable.

If there are unused supplies that, in aggregate, have a fair market value of more than \$10,000 at the end of the period of performance, the local program should use the supplies for another project that is supported with federal funds. If the supplies are not needed for another federally supported project, the local program must retain the supplies for use on other activities or sell them, but in either case must compensate the Federal awarding agency for its share of the value of the supplies. Though this is an unlikely scenario, the local program must notify OAE in

writing as soon as possible prior to executing disposition. OAE will assist in coordinating compensation to the Federal awarding agency.

### Instances of Non-Compliance

The local program should ensure adequate safeguards and internal controls are in place related to the loss, damage, and theft of the equipment. Per 2 CFR 200.313(d)(3), any loss, damage, or theft should be investigated, fully documented and reported to the OAE within 72 hours.

Failure to follow the federal and state guidelines pertaining to equipment and supplies may result in sanctions per § 200.208 and § 200.339- and § 200.343.

### **Inventory Monitoring & Technical Assistance**

As part of the TCSG Office of Adult Education's oversight activities, OAE staff may review inventory records and overall management of equipment purchased with Federal and/or state matching funds. OAE will utilize the requirements of 2 CFR 200.313, as well as state requirements, when completing reviews.

Please direct all technical assistance inquiries regarding this guidance to the OAE Accountability Team at [OAEaccountability@tcsgeu.edu](mailto:OAEaccountability@tcsgeu.edu).

### General Tips

- Whether inventory management is completed by local program staff or included as part of the organization's general inventory policies and procedures to be completed by another department (i.e., IT staff) is a local decision; however, the inventory records must be available for review and evaluation. A copy of the inventory records should be kept within the local program office and the local agency (technical college, school system, and/or community-based organization), and must be made available to state and federal monitors as requested per the Grant Award Notification letter.
- Be sure that any equipment purchased with federal and state matching grant funds is being used to benefit the program that provides the funding in accordance with relative benefit received.
- Taking routine physical inventories and comparing the results to property records is a sound internal control. However, it is not sufficient to conduct an inventory and then put the list away until the next time. Your inventory list should be continuously updated to reflect any change in the location or status of an item so the item can be located on demand.
- It is key for local programs to maintain written procedures explaining how they value equipment, ensure employees are trained on these procedures, and maintain sufficient documentation to support a valuation.

## Frequently Asked Questions

### **1. There seem to be requirements from the Federal, State, and local level regarding inventory management. How do I ensure compliance with all requirements?**

The simple answer is to adhere to the policy with the most stringent requirements. Local programs must evaluate their local policies to ensure the local policies provide them with the capacity to meet the state and federal requirements.

### **2. How do I determine if an item needs to be inventoried?**

There are two main considerations when determining whether an item needs to be inventoried: cost and whether it can “walk away.” Per TCSG policy, anything over \$1,000 must be inventoried, Pilferable items purchased with federal and /or state matching funds must be tracked regardless of cost (i.e., it does not matter if it meets the definition of supplies or equipment).

### **3. If I no longer need equipment for my adult education program, what do I do with the equipment?**

In accordance with federal and state disposition requirements, local programs should follow these steps:

- Review Grant Agreement – Check the Grant Award Notification for any specific disposition requirements or instructions from the pass-through entity (TCSG)
- Determine current fair market value of equipment no longer needed
- Notify Awarding Agency – Per [2 CFR 200.313](#), programs must inform the pass-through entity if the equipment is no longer needed.
- Follow Federal & State Guidelines –
  - Develop a disposition plan in accordance with federal and state guidelines. The Georgia Department of Administrative Services’ policies and procedures govern the disposition requirements for state property.
  - Obtain any necessary approvals from state agencies (e.g., Georgia DOAS) for the planned disposition.
- Execute Disposition – Execute the transfer, sale, or other disposition method of the equipment according to the approved plan. Manage any proceeds from the sale as detailed in the “Disposition Requirements” section of this guidance, which usually involves returning proceeds to the federal government or using them to offset grant costs.
- Maintain Records – Ensure all records related to the equipment’s acquisition, usage, and disposition are maintained for the required retention period.

### **4. How often do I need to update my inventory records?**

SAO requires that a physical inventory be conducted annually. As a best practice, inventory records should be updated on a regular basis and OAE encourages programs to audit records quarterly to ensure they are up-to-date.



**5. Am I required to keep my inventory in Workiva if my program already keeps the required information in another location?**

According to the GAN, Section I.25, the subrecipient must maintain inventory records in Workiva and any applicable local inventory management system.

If the program utilizes an inventory management system that includes all the information required to satisfy the federal inventory record requirements, then inputting the information in Workiva is not necessary. Inventory records must be available to OAE and/or federal monitors upon request.

If the program's organization does not utilize an inventory management system, then inventory records must be maintained in Workiva and include all the information required to satisfy the federal inventory records requirements.

**6. I have equipment that I use for adult education that was purchased with another funding source. Do I still need to follow these requirements?**

This guidance stipulates the inventory management requirements for items purchased with AEFLA federal and/or state matching funds. If other funding sources are utilized to purchase equipment used by the adult education program, the local program must adhere to the pertinent inventory requirements associated with the other funding source. OAE will only monitor inventory and disposition of items purchased with AEFLA federal and state matching funds.

**7. Is furniture considered equipment?**

Yes, furniture valued at or above \$10,000 is considered equipment. However, furniture must be inventoried if it is valued at or above \$1,000 per TCSG policy.

**8. My organization is not a part of the Technical College System of Georgia or state government. Why do I have to adhere to the state threshold of \$1,000 for inventory?**

When subrecipients (adult education programs) purchase equipment, the pass-through entity (TCSG) still has responsibility for the equipment, like how it has responsibility and oversight for all grant funds. Therefore, all subrecipients that receive AEFLA funds from TCSG are subject to its inventory and disposition requirements.