

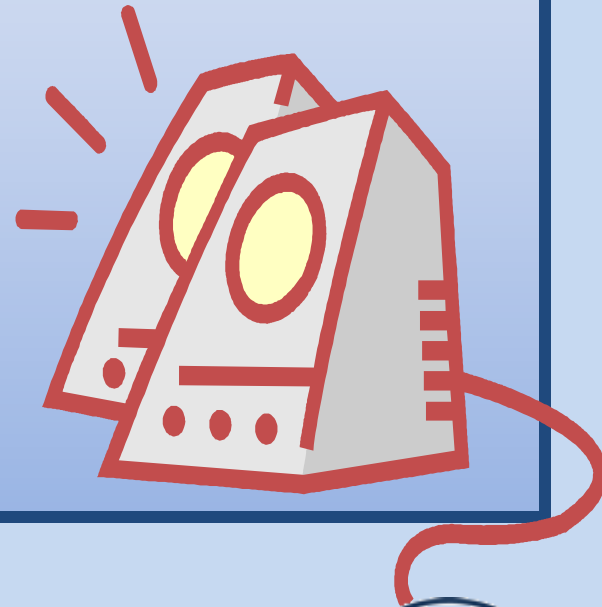
American Recovery and Reinvestment Act of 2009



Equipment
and
Property Management

Sound Check

Audio is available via the internet
Please be sure your—
speakers are on &
your volume turned up



Learning Objectives

- Discuss the importance of this topic
- When should management begin?
- Basic Requirements
- Findings
- Things to Consider
- Fraud Prevention
- Resources



Why This Topic?

- Reinforce financial management impact and implications of deficiencies in equipment and property management
- Ensure accountability for property purchased with federal funds



When Does Equipment and Property Management Begin?

When you first decide to make a purchase!

- Is purchase allowable under the grant?
- Important in order to avoid mistakes and errors
- Delivery Time and Location
- Facilities and Storage Considerations
- Specify Condition on Delivery and Quantities
- Inspection and Acceptance Contract Clauses



When Does Equipment and Property Management Begin?

Inspect and Either Accept or Reject Delivery

- Verify all specifications and requirements have been met
 - If “YES” Accept
 - If “NO” Reject – specify problem with goods
- **Tag Goods for Inventory Purposes**



When Does Equipment and Property Management Begin?

Bar Codes

- Bar codes or another type of secure tag should be required by the organization



ARRA and Equipment

- ARRA has the same equipment and property management requirements as regular federal grants and sub-grants
- ARRA equipment purchases will be extensively monitored



ALLOWABLE PROGRAMS

| Office | Program | Equipment? | Real Property? |
|--------|---|------------|------------------|
| OESE | ESEA Title IA (targeted and incentive) | Yes | No |
| OESE | Title I - SIG | Yes | No |
| OESE | Homeless | Yes | No |
| OESE | Consolidated grants for outlying areas | Yes | No |
| OESE | SFSF - Gov Services | Yes | Yes |
| OESE | SFSF - Education | Yes | Yes |
| OESE | RTT (SFSF) | Yes | No |
| OESE | Teacher Incentive Fund | Yes | No |
| OESE | Impact Aid - formula construction | Yes | Yes |
| OESE | Impact Aid - discretionary construction | Yes | Yes |
| OESE | Educational Technology (EETT) | Yes | No |
| OSERS | OSEP - IDEA Part B (states/preschool) | Yes | Yes |
| OSERS | OSEP - IDEA Part C (infants & families) | Yes | Yes |
| OII | Teacher Quality Partnerships | Yes | No |
| IES | Statewide Longitudinal Data Systems | Yes | No |
| OSERS | Voc Rehab State Grants | Yes | Yes ¹ |
| OSERS | Independent Living - all programs | Yes | No |
| OII | Investing in Innovation (SFSF) | Yes | No |

1 Acquisition of land or buildings must be in connection with the construction or establishment of a facility for a community rehabilitation program.



When Does Equipment and Property Management Begin?

- Establish Accounting for lifecycle of goods
 - Depreciation methodology
- **MAINTAIN RECORDS** – important for inventory accountability and other purposes (ex. insurance claims)



Other Equipment and Property Management Considerations

- How many items on hand?
- Where are they located?
- Condition of Items (expiration dates)
- Inventory properly maintained or “cared for”
- Continued Viability of Goods (recalls, obsolete)
- Disposition and disposal of surplus or aged items



Basic Requirements

Education Department General Administrative Regulations

State, Local, and Tribal Governments:

- Financial Management - EDGAR 80.20(b)
- Inventory Management - EDGAR 80.32(c)-(e); 80.33 (b)

Institutions of Higher Education and Non-Profits:

- Property Standards - EDGAR 74.30 through 74.37



Basic Requirements

General Education Provisions Act (GEPA)

- Section 443(a) requires each recipient of Federal funds, such as an LEA, to keep records, which fully disclose the amount and disposition of the funds, the total costs of the activity for which the funds are used...and such other records as will facilitate an effective financial or programmatic audit.



Basic Requirements

State, Local, and Tribal Governments

Financial Management – EDGAR 80.20

Internal Control:

Effective control and accountability must be maintained for all grant and sub-grant *cash, real and personal property, and other assets*.

Grantees and sub-grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.



Definition of Internal Control

An **integral component** of an organization's management that provides **reasonable assurance** that the following **objectives are being achieved**:

- effectiveness and efficiency of operations,
- reliability of reporting, and
- compliance with applicable laws and regulations.



Why Internal Control?

...is the first line of defense in safeguarding assets and detecting and preventing errors and fraud.

...helps achieve desired results through effective stewardship of public resources.



When Do You Utilize Internal Control?

CONTINUALLY!



Basic Requirements

State, Local, and Tribal Governments

Inventory Management – EDGAR 80.32(c)-(e)

- (c) Equipment Use
- (d) Equipment Management Requirements
- (e) Equipment Disposition

Inventory Management – EDGAR 80.33(b)

- (b) Supplies Disposition



Basic Requirements

State, Local, and Tribal Governments

Inventory Management – EDGAR 80.32(c)

Equipment Use:

When acquiring replacement equipment, the grantee or sub-grantee *may use the equipment to be replaced as a trade-in or sell the property* and use the proceeds to offset the cost of the replacement property (subject to the approval of the awarding agency).



Basic Requirements

State, Local, and Tribal Governments

Inventory Management – EDGAR 80.32(d)

Equipment Management Requirements

Property records *must be maintained* that include:

- Description of the property;
- A serial number or other identification number;
- The source of the property;
- Percentage of federal participation in the cost;
- The location, use and condition of the property;
- Any disposition data (date and sale price).



Basic Requirements

State, Local, and Tribal Governments

Inventory Management – EDGAR 80.32(d)

Equipment Management Requirements:

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

A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of property. Any loss, damage, or theft shall be investigated.

Adequate maintenance procedures must be developed to keep the property in good condition.

If there is authorization to sell the property, proper sales procedures must be established to ensure the highest possible return.



Basic Requirements

State, Local, and Tribal Governments

Inventory Management – EDGAR 80.32(e)

Equipment Disposition:

When the original or replacement equipment acquired under a grant or sub-grant *is no longer needed* for the original project or program or for other activities currently or previously supported by a federal agency, *disposition of the equipment will be made as follows:*

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*.

If 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 the sale by the awarding agency's share of the equipment.



Basic Requirements

State, Local, and Tribal Governments

Inventory Management – EDGAR 80.33(b)

Supplies Disposition:

If there is a residual inventory of *unused supplies exceeding \$5,000* in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or sub-grantee *shall compensate the awarding agency for its share.*



Basic Requirements

Institutions of Higher Education and Non-Profits

EDGAR 74.30 – Purpose – Organization's property standards must observe 74.31 – 74.37

EDGAR 74.31 - Insurance Coverage – Recipients must maintain same levels of insurance coverage for both federally procured and recipient owned property, if required by award

EDGAR 74.32 - Real Property – Lists minimum requirements for recipients use and disposition of real property in whole/part under grant awards.



Basic Requirements

Institutions of Higher Education and Non-Profits

EDGAR 74.33 - Federally-owned and Exempt Property –

Returned to federal government after use; exempt items may stay with recipient based on either statutory authority or based on Secretary's conditions

EDGAR 74.34 – Equipment – Vests with recipient who purchased it, subject to conditions listed in this section

EDGAR 74.35 - Supplies and Other Expendable Property –

Disposition of residual supplies with aggregate value > \$5,000



Basic Requirements

Institutions of Higher Education and Non-Profits

EDGAR 74.36 - Intangible Property — Recipient and Government's rights to work developed under awards – title, copyright, patents, inventions, research data, trade secrets, FOIA requests

EDGAR 74.37 - Property trust relationship - Real property, equipment, intangible property, and debt instruments acquired/improved with Federal funds must be held in trust by the recipient as trustee for the beneficiaries of the project or program under which the property was acquired or improved. The Secretary may require recipients to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with Federal funds and that use and disposition conditions apply to the property.



Findings and Issues

Persistent Findings (A-133 Single Audits, ED program monitoring, ED-OIG, GAO)

- Inability to account for property
- Lack of sufficient documentation to support purchases
- Insufficient, Outdated, or No documented property management procedures or policies
- No periodic inventory conducted
- Instances of **fraud**, waste, and abuse
- Alternate use of equipment



Findings and Issues

Persistent Findings (A-133 Single Audits, ED program monitoring, ED-OIG, GAO)

- Improper disposal of equipment
- Unallowable purchases
- Inadequate warehouse or storage facilities
- Inadequate warehouse or storage facility security
- Insufficient staff
- Untrained staff
- Lack of accountability/responsibility



Findings and Issues

- ED Title I Monitoring Indicator 3.9 - found a lack of controls over the procurement, recording, custody, use, and disposition of Title I equipment in accordance with State policies, NCLB, the Improper Payments Information Act, standards of internal control, etc.



Things to Consider

- Equipment as allowable / eligible cost
- Equipment as “*necessary and essential*”
- Equipment – accountability in purchasing and inventory



Things to Consider

- Does the grantee or sub-grantee's equipment policy address the following in a manner compliant with EDGAR?
 - Definition of equipment
 - Purchasing procedures
 - Use of equipment
 - Maintenance of equipment
 - Maintenance of inventory record
 - Physical inventory in a timely manner
 - Safeguard of inventory and “high risk” items controls
 - Disposal of equipment
- Has the grantee or sub-grantee followed existing policies?



Things to Consider

Verifications will be made by the fiscal monitors to assure:

- The grantee or sub-grantee has a policy and it is in compliance with EDGAR
- Purchases are for allowable/eligible excess costs of “necessary and essential” equipment and documentation is available
- Equipment is being used within the program funding the purchase
- District inventory is in compliance
- Expensive and/or high risk items are safeguarded



Things to Consider

- Physical inventory with reconciliation—required at least once every 2 years
- Inventory control system required for loss, damage, theft prevention. Investigation of these is required.
- Adequate maintenance procedures must be in place.



Fraud

LEGAL DEFINITION

Acts, omissions, or concealment involving a breach of legal or equitable duty. In most cases, results in damage to another, either monetary or in another form.

LAYMAN'S DEFINITION

“Lying, cheating, stealing.”



Why Report Fraud?

- Key area of concern for ED OIG and program offices
- Ethical responsibility to deter others from committing fraud and abuse
- To protect the integrity of the Federal, State and Local programs
- To avoid being part of the fraudulent/criminal activities
- **Mandatory ARRA Implementing Guidance Requirement (OMB)**



Mandatory IG Reporting

Agencies must include in all grants “the requirement that each grantee or sub-grantee awarded funds made available under the Recovery Act shall promptly refer to an appropriate inspector general any credible evidence that a principal, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving those funds.”

Source: OMB Guidance on ARRA Accountability and Reporting Requirements



Possible Indicators of Equipment and Inventory Fraud

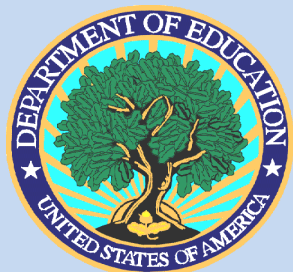


- One Person in Control
- No Separation of Duties
- Lack of Internal Controls/Ignoring Controls
- Unexplained Entries in Records
- Inadequate or Missing Documentation
- Altered Records
- Non-Serial Number Transactions
- Inventories and Financial Records not Reconciled
- Unauthorized Transactions



Who is Responsible for Reporting Fraud?

Everyone who deals with ED funding has a responsibility to help control fraud!



OFFICE OF INSPECTOR GENERAL HOTLINE

PHONE - 1-800-MISUSED

E-MAIL - OIG.HOTLINE@ED.GOV

FAX - 202-260-0230



GOVERNMENT ACCOUNTABILITY OFFICE HOTLINE



1-800-424-5454

E-MAIL: Fraudnet@GAO.GOV

FAX: 202-512-3086

Visit the FraudNet page of our FraudNet website;

Or write to:

GAO FraudNet

**441 G Street, NW, Mail Stop 4T21,
Washington, DC 20548**



Questions & Answers



Further questions?
email - RMSCommunications@ed.gov



Thank you for participating!

Please complete an evaluation—

Your feedback is important.

<http://www.ed.gov/policy/gen/leg/recovery/rms-web-conferences.html>



Resource Documents

Education Department General Administrative Regulations
(EDGAR)

<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>

Standards for Internal Control in the Federal Government

<http://www.gao.gov/special.pubs/ai2131.pdf>

Internal Control and Management & Evaluation Tool

<http://www.gao.gov/new.items/d011008g.pdf>



ARRA Contact Information

State Fiscal Stabilization Fund: State.Fiscal.Fund@ed.gov

Title I, Part A Grants to LEAs: TitleI.ARRA@ed.gov

School Improvement Grants: SIGquestions@ed.gov

Educational Technology - Enhancing Education Through
Technology: Title2D@ed.gov

IDEA, Parts B & C: IDEARecoveryComments@ed.gov

Voc-Rehab, Independent Living Services & Centers for
Independent Living: RSARecoveryActComments@ed.gov



ARRA Contact Information

Impact Aid: impact.aid@ed.gov

State Longitudinal Data Systems: slds@ed.gov

Teacher Quality Partnership: TQPartnership@ed.gov

Teacher Incentive Fund: TIF@ed.gov

ED-OIG Hotline: oig.hotline@ed.gov, 1-800-MIS-USED

General Info: 1-800-USA-LEARN (1-800-872-5327)



For archived and future web conferences:
<http://www.ed.gov/policy/gen/leg/recovery/web-conferences.html#schedule>

