November 22, 2011

MEMORANDUM

TO: City and County Superintendents
   Chief School Financial Officers

FROM: Warren Craig Pouncey
      Deputy State Superintendent
      Administrative and Financial Services

RE: Supplemental Equipment Inventory

Although local boards of education in Alabama utilized most of the federal stimulus funds provided by the American Recovery and Reinvestment Act (ARRA) for personnel costs, some school boards also used ARRA funds to purchase items of equipment and supplies. Federal regulations require that school boards have financial management systems for federal funds that provide safeguards for equipment purchased and provide assurance that the items purchased are used solely for authorized purposes.

Rule 290-2-1-.01(4)(a) of the State Board of Education states "Local boards of education are required to maintain a supplemental inventory of equipment items not classified as fixed assets." Generally accepted accounting principles require a current inventory of capitalized equipment (classified as fixed assets), confirmed by an annual physical review of the equipment. For the fiscal year beginning October 1, 2000, the capitalization level for equipment was increased to $5000 or more per equipment item. The supplemental inventory of noncapitalized equipment (items with a useful life of one year or more but a unit cost of less than $5000) would not require as much detailed information as capitalized equipment but is important for internal control purposes.

There has been a great deal of turnover within many central offices. We have many new superintendents, CSFOs and Program Coordinators. It is important that each system review their current status in regards to the condition of your systems supplemental inventories and work collaboratively to ensure that it is current and up to date.

Due to current financial conditions, some school boards have closed or consolidated schools that received items purchased with ARRA funds. Although the ARRA funds are subject to compliance testing by independent auditors performing the annual single audits, we are also preparing for an upcoming review of ARRA expenditures by the Office of Inspector General (OIG). Chief School Financial Officers should exercise due diligence to assure compliance with federal and state requirements for inventories of equipment items purchased with federal funds.

If you have any questions about what should be included, contact Mr. Dennis Heard at 334-242-9747 or Mrs. Sonja Peaspan at 334-353-9886.

WCP/DWH/JW

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