Category 2 Purchasing Guide

After receiving a Category 2 E-rate Funding Commitment Letter (FCDL), it is important to be familiar with the additional steps that must be taken to ensure you are E-rate compliant, beginning with the issuance of your purchase order.   Information related to purchasing equipment BEFORE receiving E-rate funding is listed at the end of this document.

Purchase Orders
After you receive your E-rate FCDL, the next step is for you to issue the Purchase Order(s) to the approved vendor(s) as follows:

1) Issue a separate PO for each E-rate funding request, if possible. You may combine them in one PO, but audits and invoice reviews are much easier if they're kept separate.
2) The PO should contain the information listed below, along with a copy of the signed vendor quote/contract that contains a list of equipment parts (including make and model #) and quantities.

If you want discounted bills*:*

- General Description of Equipment (i.e. Ruckus Wireless)
- Vendor Name:
- Funding Year 2017
- Form 471 #:
- Funding Request #:
- Total Cost of Equipment:
- E-rate Discount:
- E-rate Discounted Amount (*E-rate Share):*
- **District Share** *(this will be your PO amount)***:**

For example, if the full cost of the equipment is $100,000, and your discount is 40%, you would list $40,000 as the E-rate Discounted Amount, and $60,000 as the District Share. If you are purchasing other equipment that is NOT E-rate eligible or PARTIALLY E-rate eligible, be sure to include the full or partial cost of this equipment when listing your calculations.

If you want to pay the bills in full and seek reimbursement from USAC:

If you are purchasing equipment prior to receiving your E-rate funding commitment, you must pay for the equipment in full and then seek reimbursement from USAC after the FCDL arrives. Likewise, you may simply choose to pay for the equipment in full and then seek reimbursement from USAC. In either case, the PO amount would be listed as the total cost, not the non-discounted amount. The E-rate identifying information should remain on the PO.

- General Description of Equipment (i.e. Ruckus Wireless)
- Vendor Name:
- Funding Year 2017
- Form 471 #:
- Funding Request #:
- **Total Cost of Equipment (this will be your PO amount):**

Submitting the Form 486
After the PO has been sent to the vendor, the applicant should submit the Form 486 in EPC to "turn on funding" which will allow invoices to be submitted for payment. Generally, the Service Start Date (SSD) should be the PO date. The exception to this is if you're filing before July 1; you must list July 1 as the SSD because the system won't permit a date prior to July 1 to be listed. USAC will issue an electronic Form 486 Approval Notification in EPC to both the applicant and service provider.

Invoicing USAC

Discounted Bills
If you received discounted bills, the VENDOR will submit the Form 474 (SPI) invoice to USAC and the applicant is not responsible for submitting any further forms to USAC. The only responsibility is for the district to ensure that the vendor's invoice to the applicant is accurate and to provide any "validation information" to USAC's invoicing department should it be requested.

BEAR Reimbursement
If you paid for the full cost of the equipment and did NOT receive discounted bills, then the APPLICANT should submit the Form 472 BEAR to USAC. This should be done after:

   1) The Form 486 has been submitted.
   2) The equipment has been delivered (or installed, if installation was included in the FRN)
   3) The vendor's invoice has been paid.
   4) The date of BEAR submission is on or after July 1 of the funding year.
   5) The Applicant has submitted and obtained approval of the Form 498 banking information.

Documentation - After the Equipment Arrives
It is extremely important that you take the following steps to document and label your equipment because future E-rate audits will require such documentation to be provided/shown:

1) When the equipment arrives, label each piece of equipment with "FY 2016, FRN # *XXX*" listing the FRN number, of course. This is what the auditors will look for during their site visits.

2) Record each piece of equipment in your school's Asset (Inventory) Register or create your own E-rate Asset Register (recommended). The Asset Register should contain the following information:

   •	Make & Model
   •	Serial number (if available)
   •	Physical location of equipment (building/room number)
   •	Date installed
   •	Funding Year 2017 and FRN #
   •	Purchase Order #

A copy of the USAC's Sample Asset Inventory Worksheet in Excel format can be found at:
http://e-ratepa.org/wp- content/uploads/2015/04/Asset-Register-Sample.xlsx. You can see that it shows more than is required, but such a detailed record of the payments and POs will certainly be helpful to share with auditors.

Moving Equipment from Building to Building
Equipment MUST stay at the location indicated on the Form 471 for a period of three years after the date of purchase. After that, the equipment can be transferred to other eligible entities. If a location closes within three years, equipment from that closed location can be transferred to another eligible entity, but USAC must be notified of such equipment transfers using the Form 500, and the Asset Inventory must be updated. After five years from the date of installation, equipment can be disposed of, sold, transferred, traded, etc. with no USAC notification required. If equipment is sold, no funding is required to be returned to USAC.

Substituting/Changing Equipment
If you find that you need to make a change to the equipment list for which you have been approved, either due to clerical error on your Form 471, or because the vendor is now substituting a newer/different model number, you can submit what USAC refers to as a "Service Substitution Request." The Service Substitution must generally have the same functionality (i.e. data distribution, wireless distribution, cabling, etc.). If the service substitution results in a change in the pre-discount price, the E-rate funding commitment will be adjusted to the lower cost (we expect there will be procedures announced to explain how to ensure that any reduction in cost can be attributed back to that school's C2 budget).   The SS Request must include Billed Entity/Contact/471/FRN information as well as a "From-To List" that details exactly what was approved (From List), and exactly what equipment you would like to substitute (To List). Applicants also must include the original commitment amount and the revised commitment amount, along with a specific SS certification. Complete details and instructions for submitting a Service Substitution Request can be found at: http://www.usac.org/sl/applicants/before-youre-done/service-substitutions.aspx.

Purchasing C2 Equipment _Prior to_ Receiving Your FCDL
E-rate rules now permit applicants to purchase Category 2 equipment as early as April 1 prior to the start of the funding year -- even if you haven't yet received their FCDLs. Obviously, you will only want to make these early purchases if they are NOT contingent on E-rate funding and you plan to pay for your equipment in full and seek E-rate reimbursement after your Funding Commitment Letter is received.   The following reminders are just for early purchases prior to receipt of your FCDL:

- Be sure your PO is for the FULL amount, not the non-discounted share.
- The Form 486 cannot be submitted until AFTER the FCDL arrives. It should list July 1, 2017, not the PO date because the online Form 486 won't accept a date earlier than July 1.
- Don't forget to submit the Form 486 and Form 472 BEAR to USAC once your FCDL arrives, and after you have paid your vendor invoice.
- If you purchase some of the equipment on an FRN _before_ you receive your FCDL and some equipment _after_ you receive your FCDL, you must continue with the same payment method for that entire funding request. So, if you start using the BEAR reimbursement process for the FRN, you must continue paying in full and using the BEAR reimbursement process for all equipment on that FRN -- you cannot use two different billing methods on a single FRN.

SAMPLE ASSET REGISTER/INVENTORY LIST

The FCC's E-rate Modernization Order FCC 14-99, released July 23, 2014, WC Docket No. 13-184) established new requirements regarding the documentation that applicants and service providers must retain to demonstrate compliance with the E-rate Program rules. Specifically with respect to inventory records, the FCC stated that, "Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase."

Below is an example of an inventory tracking worksheet that may be helpful in case of an audit or other USAC or FCC request for documentation to support a request for E-rate Program funds. This example is _not_ mandatory.

471 App Number	FRN	Applicant Name	BEN	Fund Year	FRN Service Type	Equipment Description	Serial #	Make & Model	Date of Delivery	USAC Invoice #	Install Date	Original Location	Current Location	Replacement Date (if applicable)	Customer Bill Date	Customer Bill #	Bill Amount	Notes
111111	1234567	Little Red School House SD	78901	2012	Internet Access	Modem	S-1000ABC2345cs	Pinnacle USB Modem 0.5	15-Jul-12	1231234	1-Aug-12	Little Blue School SD 1st Floor NW			1-Jul-12	ABC-1A001	$500.00	
111115	2345678	Little Red School House SD	78901	2012	Internal Connections	Switch	Abc89707h8980	ACME 001 Switch	8-Aug-12	1234567	14-Sep-12	Yellow HS Admin Room# 4357	Yellow HS Admin Room# 891	5-Jan-13	21-Aug-12	ABD-IC00	$1,000.00	Switch replaced/electrical Equip fire Serial No. SW987654
111115	2345678	Little Red School House SD	78901	2012	Internal Connections	UPS	Abc123	Power Senty3.30.	8-Sep-12	6543210	14-Sep-12	Yellow HS Admin Room# 4358	Yellow HS Admin Room# 8921	5-Mar-13	15-Sep-13	ABD-IC003	$250.00	Equip Transferred School closed (FCC Form 500 completed)
111115	2345678	Little Red School House SD	78901	2012	Internal Connections	UPS	123adc	Power Senty3.30	8-Sep-12	6543210	14-Sep-12	Purple MS 2nd Floor			15-Sep-12	ABD-IC003	$250.00	

Additional information that may help you track E-rate Program supported equipment:

- Labeling all equipment with FRN and funding year may help you to track equipment.

- Keep a schematic/network diagram of all equipment and the location in the building(s) including drops/wall jacks as that will help you locate equipment, as required by Commission order.

- Commission rules require maintenance of records for all E-rate Program funded equipment and services at least 10 years after last date of service delivered. See 47 C.F.R. 54.516(a).

- Keep specific records of maintenance details (what equipment has been serviced, the hours spent, who performed the service, date the service occurred). Vendor documentation is required when BMIC is performed. Sixth Report and Order (FCC 10-175, released Sept. 28, 2010, CC Docket No. 02-6)

Transfer of equipment information:

- Equipment can be transferred from a closed location to other eligible entities within three years of the date of purchase. Third Report and Order (FCC 03-323, released Dec. 23, 2003, CC Docket No. 02-6) Applicants must notify USAC of ALL equipment transfer by filing of an FCC Form 500.