

Category 2 Purchasing Guide

This guide is intended to provide the information you need to successfully purchase/document your C2 equipment and be fully E-rate compliant. Information related to purchasing equipment BEFORE receiving your E-rate funding commitment letter is also included in this message (shown in blue).

Step 1) E-rate Discounted 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.
- 2) The PO should list the exact equipment/quantities that were approved on the Form 471 application, and may be included as an attachment to the PO.
- 3) On the PO, list the following information (this assumes you want to receive 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:
 - **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. Obviously, this only applies if you want discounted billing. If you want to pay the vendor for the full cost and then seek reimbursement from USAC, you would just list the PO amount as the total cost, not the non-discounted amount.

Notes:

- a) If you are purchasing other equipment that is NOT part of your approved funding, it's best to not include this equipment on your E-rate PO. Create a separate PO for non-E-rate funded equipment, if possible.
- b) If you are purchasing equipment that is PARTIALLY E-rate eligible, be sure to include that calculation in your PO to account for the full district share of the ineligible cost.

Purchasing Equipment Before E-rate Funding is Awarded (POs w/No E-rate Discounts)

E-rate rules 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 arrives. If you

choose this option, be sure your PO is for the FULL amount, not the non-discounted share. Also, list the following information on your PO:

- General Description of Equipment (i.e. Ruckus Wireless)
- Vendor Name:
- Funding Year 2017
- Form 471 #:
- Funding Request #:
- Total Cost of Equipment:

Step 2) 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 a Form 486 Approval Letter within EPC about a week after the Form 486 has been submitted; the vendor also will receive a copy of this 486 Notification in their EPC portal.

Note: The Form 486 cannot be submitted until AFTER the FCDL arrives, but should be filed as soon as the FCDL arrives if you've already purchased the equipment so you can submit the BEAR to USAC and receive reimbursement.

Step 3) Invoicing USAC

- If you received discounted bills, the VENDOR will submit the Form 474 (SPI) invoice to USAC and the school 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 district is accurate.
- If you paid for the full cost of the equipment and did NOT receive discounted bills, then the SCHOOL should submit the Form 472 BEAR to USAC. This should be done after the equipment has arrived (or installed, if installation was included in the FRN), after the Form 486 Approval Letter has been received, and after you have paid the vendor invoice.
- In the previous two years, USAC has reached out to applicants to request copies of the actual vendor C2 invoices to verify the USAC invoice amounts. This happens in most (but not all) cases, so be prepared to submit this documentation quickly upon request.
- 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. Meaning, 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.

Step 4) 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 2017, 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 Sample Asset Inventory Worksheet can be found at:

<http://www.usac.org/res/documents/sl/pdf/samples/samples-checklist-inventory-list.pdf>. You can see that it shows more than is required, but I think it's very helpful to maintain such a detailed record of the payments and POs so that you can easily show this to the auditors.

Moving Equipment from Building to Building

Equipment MUST stay at the location indicated on the Form 471 for a period of three (3) 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 (5) years from the date of installation, equipment can be disposed of, sold, transferred, traded, etc. with no USAC notification required. If equipment is sold after five years, no funding is required to be returned to USAC.

Equipment Substitutions

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 Item 21, 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>.

