

## E-rate Equipment Purchasing Guide



This guide provides step-by-step instructions when purchasing E-rate eligible Category 2 equipment to ensure you stay in compliance with E-rate rules. Specifically, these issues are addressed:

- a) Early-purchasing of equipment
- b) What information/amounts to list on the Purchase Orders
- c) How to create the required asset inventory
- d) Filing the Form 486
- e) Invoicing USAC
- f) Equipment transfers
- g) Service substitutions

### Early-Purchasing of Equipment

Many schools and libraries seek to purchase equipment even before receiving discounted invoices from their vendors. Under E-rate rules, such early purchasing of internal connections equipment is permitted on or after April 1, and applicant POs and vendor invoices can be dated on or after April 1 (no need to future date them to July 1). Please keep these points in mind:

- Applicants (and vendors) cannot submit BEAR or SPI reimbursement forms to USAC until July 1 or receipt of the Funding Commitment Decision Letter – whichever is later.
- Applicants wishing to make these purchases prior to the receipt of their E-rate funding commitments should be mindful that they will be paying 100% of the cost of the equipment and taking on the risk that their E-rate funding request may not be approved. (Some vendors will provide discounted bills prior to July 1 if the applicant signs a form agreeing to make the vendor whole if the full E-rate funding isn't approved for any reason.)
- Even if applicants have received their E-rate funding commitments, BEARs and SPI reimbursement forms cannot be submitted to USAC until July 1.

## Category 2 Equipment Purchase Steps:

### Step 1) Create Purchase Order

The following are instructions on how to purchase the Category 2 equipment. Note: **1a** relates to creating a PO when you're paying the vendor IN FULL. **1b** (in red) relates to creating a PO when you would like to receive DISCOUNTED VENDOR INVOICES that include your E-rate discount.

#### **1a) PO – No E-rate Discounts:**

- General Description of Equipment (i.e. Ruckus Wireless)
- Vendor Name
- Funding Year 2020
- Form 471 #
- Funding Request #
- Total Cost of Equipment (without E-rate discounts)
- Detailed List of All Equipment Being Purchased (unit cost, quantity, description or SKU)

## 1b) PO – With E-rate Discounts:

- General Description of Equipment (i.e. Ruckus Wireless)
- Vendor Name:
- Funding Year 2020
- Form 471 #
- Funding Request #
- Total Cost of Equipment (without E-rate discounts)
- Total Ineligible Cost (either because your C2 budget wasn't sufficient to cover the cost, or because the product is only partially eligible)
- Total E-rate Eligible Cost of Equipment\*\*
- E-rate Discount %
- E-rate Share (eligible equipment cost \* discount %)
- District Share ((= eligible equipment cost – E-rate share) + ineligible cost): THIS WILL BE YOUR PO AMOUNT.
- Detailed List of All Equipment Being Purchased (unit cost, quantity, description or SKU)

*\*\* Be sure to add any ineligible costs or amounts not covered by E-rate to the total PO amount.*

For example, if the full cost of the equipment is \$100,000, and your discount is 60%, you would list \$60,000 as the E-rate Discounted Amount, and \$40,000 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. Further, for POs that reflect the E-rate discounts (example 1b), if you are purchasing equipment that is not fully E-rate eligible (either because your C2 budget wasn't sufficient to cover the cost, or because the product is only partially eligible), the PO should reflect fully payment of the ineligible costs as well.

## **Step 2) Label/Update Asset Inventory**

After the equipment arrives, it's 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 2020, FRN #20XXX". 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 2020 and FRN #
- Purchase Order #

A copy of a sample Asset Inventory Worksheet can be found at: <http://e-ratepa.org/wp-content/uploads/2014/03/Asset-Register-Sample.xlsx>. 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. Hint: auditors also ask for a building diagram showing where the equipment is located, including the placement of WAPs, so be sure to memorialize that placement in your asset inventory as well.

## **Steps to Take After the FCDL Arrives**

### **Step 3) Submit the Form 486**

After the FCDL arrives, the applicant should submit the Form 486 in EPC to "turn on funding" which will allow invoices to be submitted for payment on or after July 1. Generally, the Service Start Date (SSD) on the Form 486 should be the PO date, or July 1, 2020 – whichever is later. USAC will issue a Form 486 Approval Letter within EPC within a few days 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 (or your vendor can submit the SPI) and receive reimbursement. Deadline to submit this form is 120 days from FCDL or Service Start Date listed on the 486, whichever is later. A Form 486 Filing Guide can be found at: <http://e-ratepa.org/?p=32433>.

### **Step 4) Invoice USAC**

- 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 on or after July 1, 2020. 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 previous years during BEAR or SPI reimbursement review, 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.

## **Other Reminders**

### **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. This requirement will not apply to equipment approved beginning in Funding Year 2021.

### **Equipment Substitutions – Post-Commitment**

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 application, 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: <https://www.usac.org/e-rate/applicant-process/before-youre-done/service-substitutions/>.

### **Equipment Substitutions – Pre-Commitment**

If you find that you need to make a change to the equipment list before, either due to clerical error on your Form 471 application, or because the vendor is now substituting a newer/different model number, you should quickly submit a RAL Modification Request. The RAL will be automatically linked to your 471 and PIA will make the necessary changes during their review of your application. A RAL Modifications Guide is available at: <http://e-ratepa.org/?p=32266>.