E-rate Equipment Purchasing Guide – FY 2022

This guide provides a step-by-step instruction to 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 FY 2022 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 FY 2022 Equipment

Many schools and libraries may wish to purchase equipment as soon as possible, even without receiving discounted invoices from their vendors. Under E-rate rules, such early purchasing of internal connections equipment is permitted on or after April 1, 2022, 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, 2022 or receipt of the Funding Commitment Decision Letter – whichever is later.
- Even if applicants have received their E-rate funding commitments, BEARs and SPI reimbursement forms cannot be submitted to USAC until July 1.
- 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.)

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 2022
- Form 471 # 22xxxxxxxx
- Funding Request #22xxxxxxxx

- Total Cost of Equipment (without E-rate discounts)
- Detailed List of All Equipment Being Purchased (unit cost, quantity, description or SKU)

1b) PO – <u>With</u> E-rate Discounts:

- General Description of Equipment (i.e. Ruckus Wireless)
- Vendor Name:
- Funding Year 2022
- Form 471 # 22xxxxxxxx
- Funding Request # 22xxxxxxxx
- 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 2022, FRN #22xxxxxxx". 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). Even though applicants are not required to list the schools/libraries receiving the equipment on their Form 471s, and equipment may be moved from location to location, the asset inventory rules have not changed and applicants still must be able to identify the exact location of the equipment at all times in their Asset Register. 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 2022 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, 2022 – 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=33182.

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, 2022. 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

E-rate funded equipment is now permitted to be transferred between schools/libraries without notifying USAC of the transfer. The applicant's Asset Register, however, must be updated so the applicant can show at any given time exactly where the equipment is located. 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 new equipment transfer rule began July 1, 2021 and applies to all E-rate-funded equipment, regardless of the year it was funded/purchased/installed.

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.   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 the FCDL is received, 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. RAL Modifications cannot be requested after an FCDL is received. A RAL Modifications Guide is available at: http://e-ratepa.org/?p=33127.