



Idaho State University

POLICIES AND PROCEDURES

Physical Inventory and Control of University Property

ISUPP 2360

POLICY INFORMATION

Policy Section: *Finance*

Policy Title: *Physical Inventory and Control of University Property*

Responsible Executive (RE): *Chief Financial Officer*

Sponsoring Organization (SO): *Finance*

Effective Date: *March 15, 2018*

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I. INTRODUCTION

The purpose of this policy is to outline the specific responsibilities and procedures for the control, disposition and reporting of fixed assets owned and entrusted to Idaho State University (ISU or University), including federally-funded property. This policy applies to Capital Assets, which for purposes of this policy are defined as property purchased, constructed, or donated and that meets or exceeds the University's established capitalization thresholds; or which meets the minimum reporting requirements for Sensitive or Controlled Assets. The Central Property Inventory System (CPIS) within the Central Property Office (CPO) is the official record of all property. Each item must be appropriately tagged so as to be readily identified and located. Asset management is administered by the Capital Inventory Specialist, whose line of administrative responsibility is through the Director of Purchasing Services and ultimately to the Chief Financial Officer.

II. DEFINITIONS

- A. **Capital Assets:** Assets with a purchased value equal to or greater than \$5,000 and with a life span greater than one year. These assets are included in CPIS.
- B. **Custodial Assets:** Assets with a purchased value greater than \$2,000 but less than \$5,000 and with a life span greater than one year. These assets are included in CPIS as required by the State of Idaho and must be inventoried as if they were Capital Assets.

C. **Sensitive or Controlled Assets:** Certain assets with a cost greater than \$300 and less than \$2,000 and a life span greater than one year. While not considered Capital Assets by definition, these items are tracked due to their mobility and potential for theft or easy conversion to personal use. All thefts of ISU equipment, whether tracked by CPIS or not, should be reported to the Office of Public Safety. Examples of Sensitive or Controlled Assets are:

1. Handguns and rifles, regardless of cost
2. Equipment purchased with Federal funds

These asset-types are included in CPIS as required by University policy and must be inventoried as if they were Capital Assets.

III. POLICY STATEMENT

This policy assigns the department head or director the responsibility and accountability for all Capital Assets purchased by, constructed for, gifted to, assigned to, or used by that department. The department head or director is charged with the responsibility of maintaining and safeguarding the Capital Assets and reporting the condition and location of said assets through the periodic physical inventory process. University Business Officers (UBOs) are responsible to see that the inventory process is initiated and completed by the due date through the department head or director. Both the UBO and department head or director must also sign the Physical Inventory Verification Form, indicating that the physical inventory has been completed. The CPO is assigned oversight of the inventory records and performing maintenance provided by the department to keep the data accurate and current. The CPO is also responsible for the disposition of surplus Capital Assets. It is essential that all employees recognize the concept of institutional ownership and accountability with departmental responsibility.

All Capital Assets must be verified annually to comply with state regulations. This verification involves comparing items of equipment physically located in, or assigned to, each department's facilities against the departmental inventory list as recorded in the CPIS. The verification process is referred to as a "physical inventory." Physical inventories serve several valuable purposes other than compliance with state and federal requirements, including:

- A. Ensuring the CPIS accurately performs the various functions of the system. These functions include financial reporting, planning and budgeting, as well as depreciation calculations.
- B. Helping to ensure department heads or directors fulfill the control and custody responsibilities delegated to them. This includes identifying and locating equipment that "migrates" across departments and/or facilities.

C. Ensuring unused/unneeded equipment is identified and when appropriate, made available to other University departments or state agencies, disposed of, or returned to the vendor, if applicable.

D. Ensuring the protection of assets and identification and correction of errors.

Disposal of items recorded in the CPIS must follow the procedures stated in the State Board of Examiners State Personal Surplus Property Policy and Procedures. Items recorded in the CPIS may not be disposed of, sold, transferred to another agency, parted out, returned to a granting agency, recycled, or scrapped without first contacting the CPO.

IV. AUTHORITY AND RESPONSIBILITIES

As a State educational institution ISU is required to conform to state statute 67-9223 and the State Board of Examiners State Personal Surplus Property Policy and Procedures, as well as the federal requirements outlined in the Office of Management and Budget's (OMB) Code of Federal Regulations (2 C.F.R. Part 215.) The designated department employee will sign the count sheet after the inventory examination is complete, certifying the inventory has been physically counted, its condition determined, and its location identified. The UBO and department head or director responsible for administration of the college/department must approve and sign the Physical Inventory Verification Form.

The physical inventory process is a requirement of the state and the federal government. There may be severe consequences for the University, including sanctions and significant financial penalties, when this policy is not followed. Accordingly, all employees are responsible to comply with this policy. Anyone not complying with this policy may be subject to discipline.

V. PROCEDURES TO IMPLEMENT

A. When assets that require input into CPIS are received, the CPO enters the required data into the system and creates an inventory tag. The Capital Inventory Specialist or his/her designee tags the item. The data recorded in CPIS includes the following (*minimum state requirement):

1. *Acquisition date
2. *Acquisition cost or estimated fair market value
3. *Estimated current replacement cost (except vehicles)
4. *Location (if item is off site, the department responsible/using the property)

5. *Description
 6. *Custodian and department as identified by the organization code
 7. Inventory tag number
 8. Purchase order number if acquired via the purchase order system
 9. Serial/model number
 10. Condition
 11. Funding source
 12. Grant/title to flag
- B. At or near the beginning of the fiscal year, inventory count sheets are prepared and sent to the UBOs for all property in CPIS assigned to their departments. The UBO then assigns the inventory count sheets to the appropriate departments. Departments assign the inventory count sheets to employees responsible to physically verify the existence, condition, and location of the property listed. When the physical inventory is complete, the department head or director and the UBO sign the Physical Inventory Verification Form, validating the examination and certifying its accuracy. All physical inventories must be completed (including the "documentation of exceptions," i.e., the Inter-Departmental Inventory Transfer Form, Department Inventory Disposal Form, Inventory Location Change Form, Off-Campus Inventory Authorization Form, or Department Lost or Stolen Inventory Disposal Form) and submitted to the CPO. The completion date will be assigned by the Capital Inventory Specialist, taking into consideration the complexity of the inventory. Inventory forms are available on the Purchasing Services website:
<https://www.isu.edu/purchasing/forms>.
- C. The UBO is responsible to collect all physical inventory documentation and forms (including forms documenting exceptions to the counts), ascertain they are complete, ensure all appropriate signatures are present, and return them to the CPO for input into CPIS. The CPO reconciles the inventory count sheets to CPIS.
- D. The CPO will conduct random physical inspections of assets to validate the count and condition previously approved by the UBO and department head or director. A sample of federal property will also be inspected and associated records in CPIS examined to verify accuracy.
- E. A limited number of inventory tag scanners may be made available for departments to use to identify the property in their respective areas.
- F. Removal of items from CPIS may be requested by notifying the CPO via the completion of the appropriate form, usually a Department Inventory Disposal Form (or the Department

Lost or Stolen Inventory Disposal Form for lost or stolen items). This should be done throughout the year as the need arises. No disposal, removal, or rearrangement of inventory should be done without completion of the approved form. Under no circumstances should assets controlled by the CPIS be disposed of without first contacting the CPO. Prior to an asset being removed from the CPIS, it is first inspected by CPIS personnel to determine the appropriate physical disposition method (surplus, scrap, recycle, etc.) to be utilized, including application of appropriate data security procedures. Subsequently, an orange label is applied to the asset, indicating the disposal approval is in process by CPIS.

- G. Departments must report stolen items to Public Safety as soon as possible. Lost or stolen items are to be reported to the CPO, with a copy to Public Safety, on the Department Lost or Stolen Disposal Form within 48 hours. Departments are expected to use all practical means to find reportedly "lost" items before sending the report to the CPO.
- H. If an asset is traded in on new equipment, it must be part of the acquisition process (Idaho Statute 67-9223). A Department Inventory Disposal Form must be sent to Purchasing to coordinate this process.
- I. To transfer an inventory item from one department to another an Inter-Departmental Inventory Transfer Form must be used. The transfer form must be signed and dated by both departments unless the UBO or Dean signs the form for both departments under their purview.
- J. To change the location code of an inventory item within a department, the Inventory Location Change Form must be used at the time the item is moved.
- K. Items with inventory tags that are located off campus (i.e., in the field or home use) must be checked out using the Off-Campus Inventory Authorization Form. The department responsible for conducting the physical inventory is responsible to complete the form and maintain the file.
- L. For all property purchased on sponsored projects, the removal, surplus, sale or disposal must be coordinated with the Grants and Contracts Office as well as the CPO to ensure compliance with all applicable disposition requirements.
- M. When the University receives donated property, the Office of University Advancement must be notified so the property can be properly valued and a gift receipt issued. University Advancement will notify the CPO if the item needs to be included in the CPIS and assigned a tag.
- N. The experience of ISU Risk Management is that many property losses are due to theft, often without signs of forced entry or removal. This is especially true with personal computers and accessories. Departmental diligence should be maintained at all times to ensure

unused equipment is securely stored. If theft is suspected, a report should be filed with Public Safety and the CPO as soon as the loss is discovered.

VI. APPENDIX

The forms used to control and inventory Capital Assets are listed below. They can be found on the Purchasing Services website at: <https://www.isu.edu/purchasing/forms>.

- A. Department Inventory Disposal Form
- B. Inter-Departmental Inventory Transfer Form
- C. Off-Campus Inventory Authorization Form
- D. Inventory Location Change Form
- E. Department Lost or Stolen Inventory Disposal Form
- F. Physical Inventory Verification Form