

Arkansas State University - Jonesboro

Effective Date: 07/01/92

Number: 05-31

Section: Finance and Administration

Subject: Inventory/Property Management

The property and equipment of the university comprises a substantial portion of the University's total assets. Therefore, it is necessary to properly record and account for the acquisition, transfer, addition or deletion of all inventory items.

1. Property that can be inventoried should be included in the inventory system with focus on items costing \$5,000 or more.
2. Department heads are responsible for taking adequate measures to safeguard items with a purchase price less than \$5,000 that would otherwise be capitalized. Therefore, departments should maintain in-house inventory listings of those items.

REGULATIONS AND PROCEDURES

I. Inventory Management Standards

The following inventory management standards govern the acquisition, utilization, and disposition of inventory items.

1. All items with a unit cost of \$5,000 or more and having an expected useful life of two years or more and which are not installed are capitalized. Installed items include central heat and air units, water heaters, water coolers, appliances and furniture for manufactured housing.
2. Inventory records should be accurate and reflect the following:
 - Equipment number
 - Equipment description
 - Manufacturer's serial number, when applicable
 - Acquisition date
 - Cost of inventory item
 - Location of property, including building and department
 - Asset Type
 - Fund, Organization, Account and Program of purchase
 - Vendor
 - Ultimate disposition data
 - Depreciation
3. Each year, a list of capital equipment is sent by email to each department for verification by the department's inventory liaison. The list should be updated appropriately and returned by email to the inventory manager in Finance and Administration.

4. A physical inventory of property is taken as needed to verify existence, current utilization, and continued need for property.
5. Equipment should be placed on inventory and numbered within two weeks after payment of the invoice.
6. A control system is in effect to ensure adequate safeguards against loss, damage or theft. Any loss, damage, or theft is investigated and fully documented by appropriate officials. The Missing Equipment Form should be completed by the department.
7. Adequate maintenance procedures are implemented to keep property in good condition.
8. The proper procedures for the sale of, transfer, and disposal are followed for unneeded property.
9. All property is used solely for authorized purposes.

II. Classification of Fixed Assets

Fixed assets are often referred to by other general terms such as plant assets, capital assets, long-term assets or property. The term fixed assets as used in this policy includes all long-term property, both real and personal, that is owned by the institution or is in its custody. Classifications of fixed assets include:

1. Real Property
 - Land
 - Buildings
 - Improvements
2. Personal Property
 - Equipment
 - Library books
 - Livestock
 - Museum and art collections
3. Construction in Progress
4. Easements
5. Infrastructure
6. Intangibles

III. Personal Property

Personal property is classified according to the following guidelines.

1. Equipment to be capitalized includes all personal property with an acquisition cost of \$5,000 or more and an expected useful life of two years or more.
2. Library books, bound periodicals and other literary items are included as inventory items.
3. Museum and art collections, including scientific collections, slide collections and permanent displays are inventoried.

4. Livestock used for instruction in agriculture and other purposes are capitalized. Laboratory animals are not inventoried.

IV. Valuation of Fixed Assets

Personal property is valued according to the acquisition method outlined below.

1. Purchased property
 - Record inventories at cost, which includes net invoice price, freight, insurance, installation charges, and other applicable charges. Trade-in allowances are not deducted to determine the asset value. If a group of assets is purchased on one invoice reflecting one invoice price, each item of inventory must be assigned a value. When additional items are purchased and added to a present inventory item, the new item should be added to the value of the original item and not as a separate inventory item.
 - Valuation of livestock is fair market value.
2. Gifts and donations
 - Record inventories at fair estimate of value at date of acquisition. If items are of significant value, a professional appraisal is advisable.
3. Fabricated
 - Record the total of all identifiable direct costs, including blueprints, materials and supplies consumed in fabrication, labor and installation, as well as indirect costs.

V. Inventory Records of Fixed Assets (Acquisitions, Transfers and Dispositions)

General

1. Departments and Finance and Administration have the responsibility to ensure all fixed assets are entered promptly and accurately on inventory records.
2. Maximum usefulness of inventory records depends on consistent application of the following principles:
 - Inventory all items with a unit cost of \$5,000 or more and having an expected useful life of two years or more.
 - Consistently describe like items.
 - Reconcile detailed records to the University's financial records (general ledger).
 - Periodically verify the existence, need and usability of all items in the inventory records.

VI. Acquisitions - Purchases

The most typical method of acquisition is by purchase. Listed below are procedures to be followed for purchases:

1. The invoice is processed through Finance and Administration after an item is received.
2. An equipment inventory record is prepared by the inventory manager using the invoices as documentation. The equipment inventory consists of the following:
 - Equipment Number. This label is pre-printed on each form and a corresponding numbered tag is placed on the item.
 - Equipment Description. Describes each item using consistent language. Includes manufacturer, model number and serial number(s).
 - Asset Type. A code is used to classify each item. New asset type codes are created for items that do not fit into a previous code.
 - Organization Code. Designates the department in which the equipment will be used and readily identifies the department accountable for the item.
 - Location. This code designates the building in which the equipment is located.
 - Cost. Acquisition cost includes the net invoice price plus taxes, freight, insurance and any installation expenses. The cost or value is determined by guidelines in the section, "Valuation of Fixed Assets."
 - Order Number. The purchase order number.
 - Fund, Organization, Account, Program. The coding that reflects which area will be charged for the item.
 - Vendor. Name of the company from which the item was purchased.
 - Invoice Date. List the month, day and year of the invoice for payment.
3. The item is permanently tagged with an equipment number by the inventory manager.
4. An inventory report of purchases is sent annually.
 - The list should be verified within 2 weeks.
 - Errors are brought to the attention of the inventory manager.
- Additions become part of the inventory file and each department is held accountable for all items on its inventory. Property that meets the definition of capitalization or is owned by or in the custody of the university is carried on the official university inventory records.

VII. Acquisitions - Gifts

Listed below are the procedures for acquisition of gifts.

1. When a gift is accepted by the university, the inventory manager in Finance and Administration should be notified by means of a memo containing inventory information which includes property department area and building where used, estimated value of the item and method of valuation, donor, and date of receipt.
2. The department determines whether property bears any restrictions on use or disposition. If there are such restrictions, the inventory record should reflect those restrictions.

VIII. Acquisitions - Grants, Contracts and Agreements

Grants, contracts and agreements are recorded on inventory records using information contained in the grant, contract or agreement. Regulations governing the documents require adequate records of original costs and detailed inventory records of equipment purchased with such funds.

IX. Acquisition - Library

Records of purchases of books and other holdings of the library are the responsibility of the assigned librarian.

X. Acquisition - Livestock

Records of livestock are kept by the appropriate department head. A monthly livestock report shows transfers, purchases, deaths, births and sales. The report is sent each month to the inventory manager in Finance and Administration.

XI. Transfers/Excess Equipment

Transfers result from physical moves of equipment or transfer of accountability. Departments may transfer equipment to other departments if an item is determined to be in excess of the needs of a department. All other excess equipment should be transferred to Facilities Management. The department must complete the Request for Equipment Inventory Transfer or Request for Excess Equipment Removal or Disposal Forms to transfer or remove equipment.

Transfers should follow the procedures listed below:

1. The appropriate form is completed by the department transferring the equipment.
2. The form is given to Facilities Management personnel when equipment is picked up.
3. After Facilities Management receives the equipment, the transfer form is signed and dated, and forwarded to the inventory manager.
4. Any item appearing on the inventory of a department remains the responsibility of that department until necessary paperwork for transferring the item has been processed by the inventory manager.

XII. Dispositions

1. Ownership of property rests with the university rather than the academic or administrative departments.
2. If equipment, including obsolete and worn-out items, is no longer in inventory, one of the following reasons must be established: lost; damaged/destroyed; stolen; traded-in; sold through marketing and redistribution or government-owned.
3. The following procedures for disposition apply in the categories listed below:
 - Lost and/or Damaged/destroyed
 1. The department should complete the Request for Equipment Inventory Transfer or Request for Excess Equipment Removal or Disposal Forms explaining the circumstances regarding the lost or damaged/destroyed item(s). The form should be sent to the inventory manager with the signatures of the appropriate administrators.
 2. A review is conducted using standard audit programs and an investigation report prepared by the appropriate officials.
 3. The item is deleted from inventory records by the inventory manager.
 - Stolen
 1. The department should report the stolen equipment immediately to University Police along with a complaint report.
 2. The department should submit the Missing Equipment Report and a copy of the police report to the inventory manager.
 3. After 90 days have elapsed, the inventory manager should remove the item from inventory by processing a Credit for State Property form.
 4. The department should notify the inventory manager if the item is later found to revise the inventory records.
 - Trade-ins
 1. Procurement Services submits a letter to the State of Arkansas requesting permission to trade the equipment in. The acceptance letter is attached to the purchase order.
 2. The inventory record is adjusted by the inventory manager.
 - Obsolete, Worn-out
 1. The department should contact Facilities Management. The Request for Equipment Inventory Transfer or Request for Excess Equipment Removal or Disposal Forms must be submitted along with the item.
 2. Usable items are transferred to Facilities Management inventory. Computer equipment can be recycled through Information and Technology Services.

3. Items no longer usable at the university are taken to Marketing and Redistribution for sale.
 4. Upon final disposition of obsolete or worn-out property by sale, the items are deleted from inventory based on a transfer document from Marketing and Redistribution.
- Government-owned
 1. The disposition of property purchased under federal or state grants, contracts, and agreements should be handled in accordance with the regulations and specific instructions from the contracting agency.

XIII. Physical Inventory of Equipment

A physical inventory is conducted to establish the following:

1. Equipment items as listed actually exist.
2. Listed items are usable.
3. Only needed equipment is acquired and kept.
4. Equipment on hand is properly recorded on inventory records.
5. Equipment is properly used and maintained.
6. Inventory records are adequate for external auditors, contract requirements, and other guidelines.

XIV. Annual Physical Inventory Procedures

1. Departments are furnished annually with an inventory report that must be verified by department personnel with assistance from the inventory manager when necessary.
2. Department personnel should conduct a physical inventory comparing equipment on hand with the inventory report.
3. Discrepancies are entered on the inventory spreadsheet. The department should follow proper procedures for missing and excess equipment or transfers.
4. The completed report is emailed by the appropriate administrator and sent to the inventory manager in Finance and Administration.
5. Periodically, inventory verification may also be performed by the inventory manager, Internal Auditor, or Legislative Auditor.

Revised on 08/02/13.