



**Department of
Materiel Management**

PROCEDURE: BIENNIAL CAPITALIZED AND ETF ASSET INVENTORY

Purpose: To appropriately inventory tagged assets and surplus property owned by the University.

- 1. Background:** The Department of Materiel Management is responsible for overseeing the University's inventory process. The University is required to perform an inventory of its capitalized and Equipment Trust Fund (ETF) assets biennially. These assets are identified in the Banner system and have a unique tag number. Budget account codes and responsible position numbers also identify ownership and custodian of the assets.
- 2. Objective:** To prove the University's recorded financial value and ownership of capitalized and ETF assets.
- 3. Responsibilities:**
 - a. Materiel Management is responsible for:
 - (1) Developing the inventory procedures.
 - (2) Developing the sampling plan.
 - (3) Providing sample capitalized and ETF asset data to responsible budget unit directors for physical inventory.
 - (4) Assisting responsible budget unit directors in reconciling discrepant inventory results.
 - (5) Producing the final inventory report.
 - (6) Materiel Management will monitor summaries of disposals by departments to detect any indication of poor asset control.
 - b. Budget unit directors are responsible for:
 - (1) Conducting physical inventory of sample assets selected in a timely and responsible manner. Refer to Physical Inventory Procedures, Section 5 for responsibility details.

- (2) With the assistance of the Department of Materiel Management, reconciling all initial inventory discrepancies.
- (3) Recording and certifying inventory results.
- (4) Submitting the required *Inventory Asset List and Response Form* to Materiel Management in a timely manner with budget unit director signature on each page.

4. Method: The University will use stratified proportional sampling (dollar unit sampling) to prove the value of the inventory. The following *sample plan* applies.

- a. The testing will be substantive, that is, intended to prove the existence of the assets and verify the asset's actual ownership and condition (usability) against that recorded. The sample will be constructed for an overall confidence level of 95%.

TABLE A - ASSET STRATIFICATION				
STRATA	VALUE RANGE	ITEM COUNT	STRATUM VALUE	SAMPLE SIZE
1	\$100,000 or greater	54	\$13,367,641	54
2	\$50,000 to \$99,999	92	\$6,260,814	92
3	\$5,000 to \$49,999	1845	\$23,848,169	466
4	\$4,999 or less	7999	\$12,175,921	246
ALL	Complete Range	9990	\$53,411,545	858

- b. All assets in strata 1 and 2 will be inventoried.
- c. For strata 3 and 4, random sample assets will be chosen as detailed in Table A along with the stratum database arrayed in tag number sequence.
- d. Responsible budget unit directors will then inventory the sample assets.

5. Physical Inventory Procedures: Once the sample assets are determined, the following physical inventory procedures apply:

- a. Basic Inventory Process: Assets are identified to responsible budget unit directors on the *Inventory Asset List and Response Form*. Lists appropriate to the budget unit director receiving this copy of the inventory notification are attached.
 - (1) Budget unit directors will confirm the existence of each asset by entering an "X" in the appropriate field on attachment A, and validate or correct the information contained on the form.
 - (a) Entering an "X" in the field marked "Asset Found" indicates that the asset has been physically inventoried.
 - (b) Entering an "X" in the field marked "Asset Not Found" indicates that the asset was not located and physically inventoried. Written documentation is

required to identify efforts taken to locate the item and must be attached to the inventory response.

- (c) Entering an “X” in the field marked “Asset Stolen” indicates that the asset has been stolen and a police report has been filed and is attached to the inventory response.
 - (d) For assets physically located and inventoried, erroneous data such as **Bldg, Room #**, etc. should be corrected by striking through the erroneous data and writing in the correct data.
 - (e) All assets valued at over \$100K which are approaching or have exceeded their expected useful life must be reviewed and an estimated remaining useful life must be assigned by the Budget Unit Director and reported to Materiel Management.
 - a. Budget Unit Directors who own such assets will have a column on their *Inventory Asset List and Response Form* titled “estimated remaining useful life”.
 - b. Fields in this column are either blacked out for assets which do not meet the requirement for review or left open for assets which need to be reviewed and an estimated remaining useful life.
 - c. Budget Unit Director enters an accurate representation of the expected remaining useful life of the asset in the “estimated remaining useful life” column of the *Inventory Asset List and Response Form*.
 - d. Materiel Management updates asset’s useful life in Banner.
- (2) When complete, budget unit directors will sign the *Inventory Asset List and Response Form*, certifying its accuracy and return the original to Materiel Management, maintaining a copy for their files.
- (3) Budget Unit Directors who fail to submit a completed *Inventory Asset List and Response Form* by the designated due date will be reported to the appropriate Vice President.
- b. Exception Procedures. When initial inventory fails to locate an asset, the following procedures apply:
- (1) The budget unit director will enter an “X” in the “Asset not Found” field on the *Inventory Asset List and Response Form* as “unaccounted for” and attach written documentation noting efforts taken to locate the asset and its last known location, including in whose possession the asset was last held.

-
- (2) After the completed *Inventory Asset List and Response Form* is submitted to Materiel Management, Materiel Management will contact the responsible budget director to further research any asset not found.
 - (3) If the asset remains unaccounted for, depending on the monetary value and circumstances, the loss may also be referred to Campus Police for investigation.
- c. Obsolete and/or damaged assets. During the basic inventory process, if a capitalized or ETF asset is determined to be obsolete and/or damaged, the responsible budget unit director shall properly fill out an Equipment Turn-in / Transfer Form and submit to Materiel Management for review and approval. Once approved by Materiel Management, the asset can be turned in to Property Control for disposal and removal from the University's inventory system.
- 6. Results:** Should this inventory process not meet the established confidence level, the inventory sample will be expanded to meet the confidence level or errors will be projected to the population and given to the Office of Finance to determine if they are material to the financial statements.
- 7. Questions:** Questions concerning inventory procedures or documentation may be addressed to the personnel listed below:
- a. Marcy Comstock mcomstoc@odu.edu
 - b. Jerri Kemp jkemp@odu.edu