

X. PHYSICAL INVENTORIES

A. BIENNIAL INVENTORY

1. Responsibilities of the Custodial Department

- a. At least every two years, the custodial department must make a physical inventory of all University Inventorial Equipment, Government Inventorial Equipment, Other Government Property, and Other Inventorial Items.

Except in those units with few employees, the individual who performs the inventory may not also be responsible for ordering or purchasing of the property, maintaining the property records for that unit, or maintaining direct custody of the property. Small units may be granted an exception to this requirement if compensating control mechanisms are in place.

- b. The primary department personnel with assigned equipment custody responsibilities and duties in conjunction with the Principal Investigator shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. If there is a change in the primary department personnel with assigned equipment custody responsibilities and duties or the Principal Investigator, the custodial department should take a physical inventory at that time.

2. Responsibilities of the Equipment Management Department

- a. The Equipment Management Department shall make reasonable efforts to ensure that departments comply with the physical inventory requirements above. When such efforts are unsuccessful, the cognizant Vice Chancellor shall be informed of all departments that are over 90 days delinquent in completing their physical inventories. Such information shall include the department name, the name of the department head and the count and dollar value of the items involved.

- b. The Equipment Management Department (or designee) should establish local procedures to promote and ensure the proper safeguarding and timely and accurate verification of inventorial property by the Custodial Departments. Specific procedures necessary to ensure appropriate controls may vary from campus to campus, and from year to year. Campus management should evaluate the local conditions and develop and execute specific procedures that will ensure compliance with policy and regulations, and enhance the protection of assets of the University. Local procedures may include, but are not limited to:

- 1) **Training of Custodial Department personnel:** The Equipment Management Department may provide training of custodial department personnel to enhance their understanding and awareness of University policy, campus procedures, and federal regulatory requirements regarding the safeguarding and verification of inventorial property. They may also provide training or

guidance on best practices for the safeguarding and management of equipment and other inventorial assets.

- 2) Verification of physical inventory: The Equipment Management Department may conduct verification of physical inventory to test the accuracy of inventory taken by the Custodial Departments. Campuses may incorporate various sampling techniques as part of the verification process, including statistical, stratified, judgmental, purposeful or other sampling or testing methods.

B. RECONCILING AN INVENTORY UPON TERMINATION OR COMPLETION OF A GOVERNMENT AWARD

Immediately upon termination or completion of a government award, in coordination with the custodial department and the Principal Investigator, a physical inventory is performed, adequate for disposal purposes, of all government property applicable to the terminated or completed award. Disposition instructions are requested from the agency. In submitting a terminal inventory to the agency, the University certifies that all materials, supplies, and equipment which were furnished to the University by the government for use on the award, or for which the University has been or will be reimbursed by the government under the terms of the award, if not specifically included in the inventory, were expended in performance of the work called for by the award.

1. Waiver of Inventory

The requirement for physical inventory of government property at the completion of an award may be waived by the Property Administrator when the property applicable to the completed award is authorized for use on a follow-on award. In those instances the University provides a statement indicating that a transfer of record balances has been made in lieu of preparing formal inventorial lists and that the University accepts responsibility and accountability for those balances under the terms of the follow-on award.

2. Listing for Disposal Purposes

Standard items that have been modified may be described on listings for disposal purposes as standard items with a general description of the modification. Fabricated items such as test equipment must be described in sufficient detail to permit a potential user to determine whether they are of sufficient interest to warrant further inspection.

C. RESULTS OF INVENTORIES

1. Discrepancies

Discrepancies discovered during the physical inventory process must be properly documented and reported to the Custody Department to the Equipment Management Office. The Equipment Management Office must update the official records accordingly, and may conduct additional investigations, and make recommendations to prevent future discrepancies.

2. Government Inventorial Equipment and Other Government Property

The University submits to the Government Property Administrator a listing which properly identifies all discrepancies disclosed by physical inventory and a signed statement that physical inventory of all or certain classes of government property was completed on a given date and that the property records were found to be in agreement with the physical inventory, except for discrepancies reported. The listing and signed statement will be furnished with a minimum of delay at the completion of the physical inventory.

D. QUANTITATIVE AND MONETARY CONTROL

As directed or required by proper authority, University reports of results of physical inventory action are prepared on both a quantitative and monetary basis and segregated by categories of property such as material, special tooling, special test equipment, and plant equipment.