Caltech

Property Management
The Equipment Inventory Process
FY2019

Contacts

Property Services (PS)

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Main Objective of the Equipment Inventory

To account for all equipment under Caltech’s stewardship by finding and documenting the location of the equipment at least once every 2 years (this is a federal requirement).

Note: The government’s expectation is that the organization should be able locate any and all equipment under their stewardship at any given point in time. They also require that Caltech be able to confirm that the equipment is in use for the purpose that it was purchased for. Inability to locate any equipment during the inventory is viewed as a type of weakness within the organization’s internal controls over equipment and would be subject to governmental scrutiny.

Equipment Risk Classifications

Equipment is classified as “Low Risk” if it is

- Caltech owned equipment with no residual value. This equipment has no remaining useful life.

Equipment is classified as “High Risk” if it is either

- Government owned equipment, or
- Other owned equipment, or
- Caltech owned equipment with a residual value.

Note: The residual values used for the purpose of the 2019 inventory are based on the values in Caltech’s books as of January 1, 2019. The values will not be recalculated or revised during the inventory cycle.

Equipment "Not Found"

Equipment that is "Not Found"

The main focus of the inventory is physically verifying equipment assets exist and their location. However, another major part of the inventory process is addressing equipment "Not Found".

Accountability:

- ❖ Investigate to obtain a meaningful explanation as to why the equipment was not found, and to properly document the explanation and efforts in searching for the equipment
- ❖ Review the relevant internal working processes and establish a corrective action plan (CAP) designed to reduce or eliminate the frequency of not found equipment
- ❖ Implement the CAP and monitor the performance over time

“Not Found” Low Risk Equipment

Low risk equipment that remains “not found” at the end of the inventory cycle will be treated as follows:

- ❖ The equipment status will be changed from “Active” to “Inactive”
  - These assets will remain in the Oracle Fixed Assets property system
  - These assets will be included in future inventories unless the asset is retired thru the Equipment Disposal Certification (EDC) process

“Not Found” Low Risk Equipment

Low risk equipment that remains “not found” at the end of the inventory cycle can be retired thru the following process:

- Campus requests that the equipment to be retired and submits a completed EDC form with the following supporting information:
  - Description of the method of disposition
  - Description of the efforts spent in locating the equipment
  - Description of CAP for reducing the chances of any other equipment not being found in the future.

On the EDC form, the “Other” option space may be used to document the efforts in locating the equipment and the “Additional Comments” space may be used to describe the CAP.

“Not Found” High Risk Equipment

High risk equipment that remains “not found” at the end of the inventory cycle will be treated as follows:

High Risk Equipment

- ❖ The equipment status will be changed from “Active” to “Inactive”
- ❖ These assets will remain in the Oracle Fixed Assets property system
- ❖ These assets will be included in future inventories unless the asset is retired thru the Equipment Disposal Certification (EDC) process
- ❖ Equipment depreciation will still be included for Financial Statement purposes but excluded in the F&A Rate (no cost recovery).

Subsequently Located “Not Found” Equipment

Steps to take if a ‘not found’ equipment asset is subsequently located:

- ❖ Notify PS so that the equipment inventory can be updated
- ❖ “Not Found” equipment that was made “Inactive”
  - Will the equipment be in use or is planned to be in use?
    - If yes, then notify PS so that the equipment status can be changed to “Active”
    - If no, then determine if the asset will be disposed of, retired, or retained for future use.
      - If asset will be disposed of or retired then follow the EDC process.
      - If asset is going to be retained for possible future use then ask PS to leave the asset’s status as ‘inactive’
- ❖ “Not Found” equipment that was “Retired”
  - Notify PS so that the equipment tags can be removed

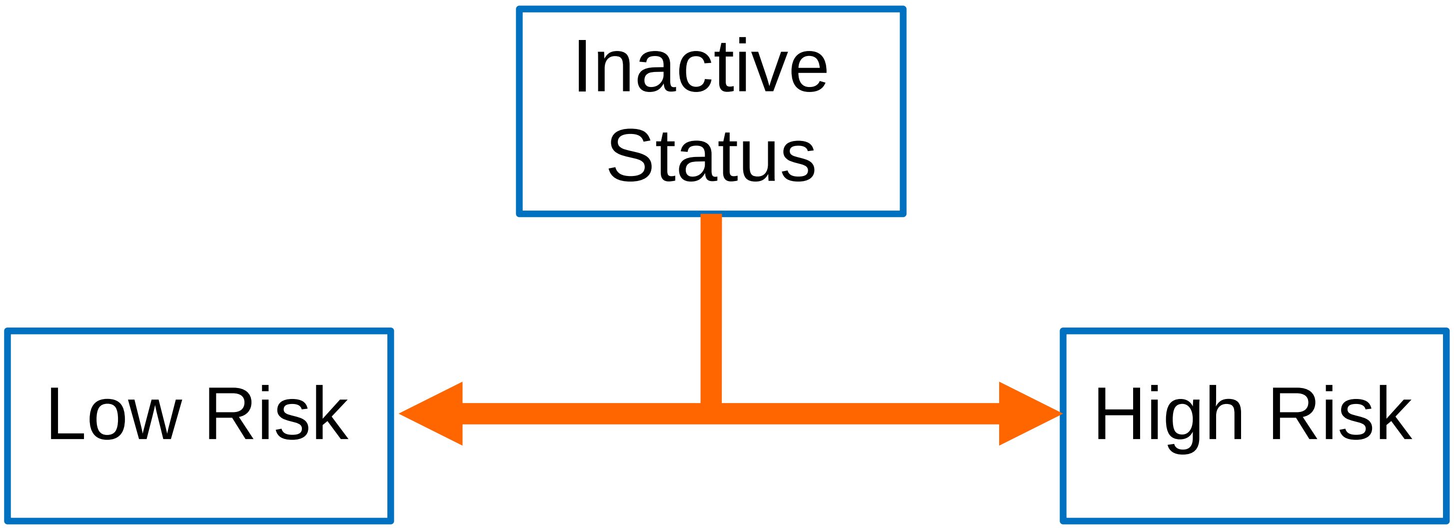
Retired, Disposed, and Inactive

- Retired: Equipment not needed, no longer in use now or planned to be in use in the future, and removed from Caltech's inventory
  - ❖ Normal Retirement: exceeded it useful life
  - ❖ Early Retirement: technology obsolete, does not meet current needs
- Disposed: Retired equipment that is no longer at Caltech (E-wasted, sold, donated, traded, retained for parts, permanently transferred to another institution, etc.)
- Inactive: Equipment currently not in use, but not retired, or disposed. May be used in the future.

Note: All retired, disposed, and **inactive equipment** must be handled through the Equipment Disposal Certification (EDC) process.

Not Found Equipment Process Diagram

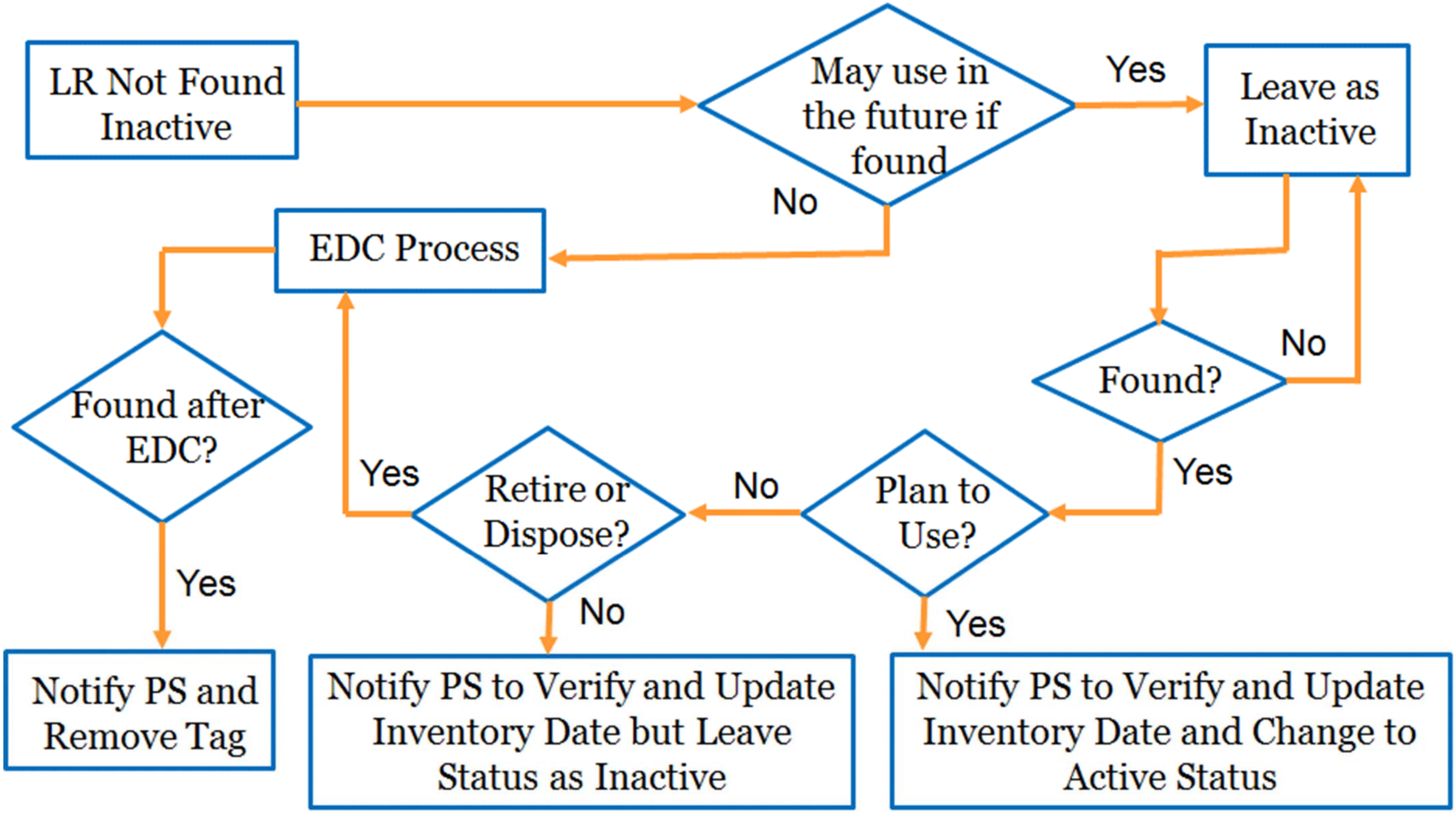
Interim Process (Not Finalized)



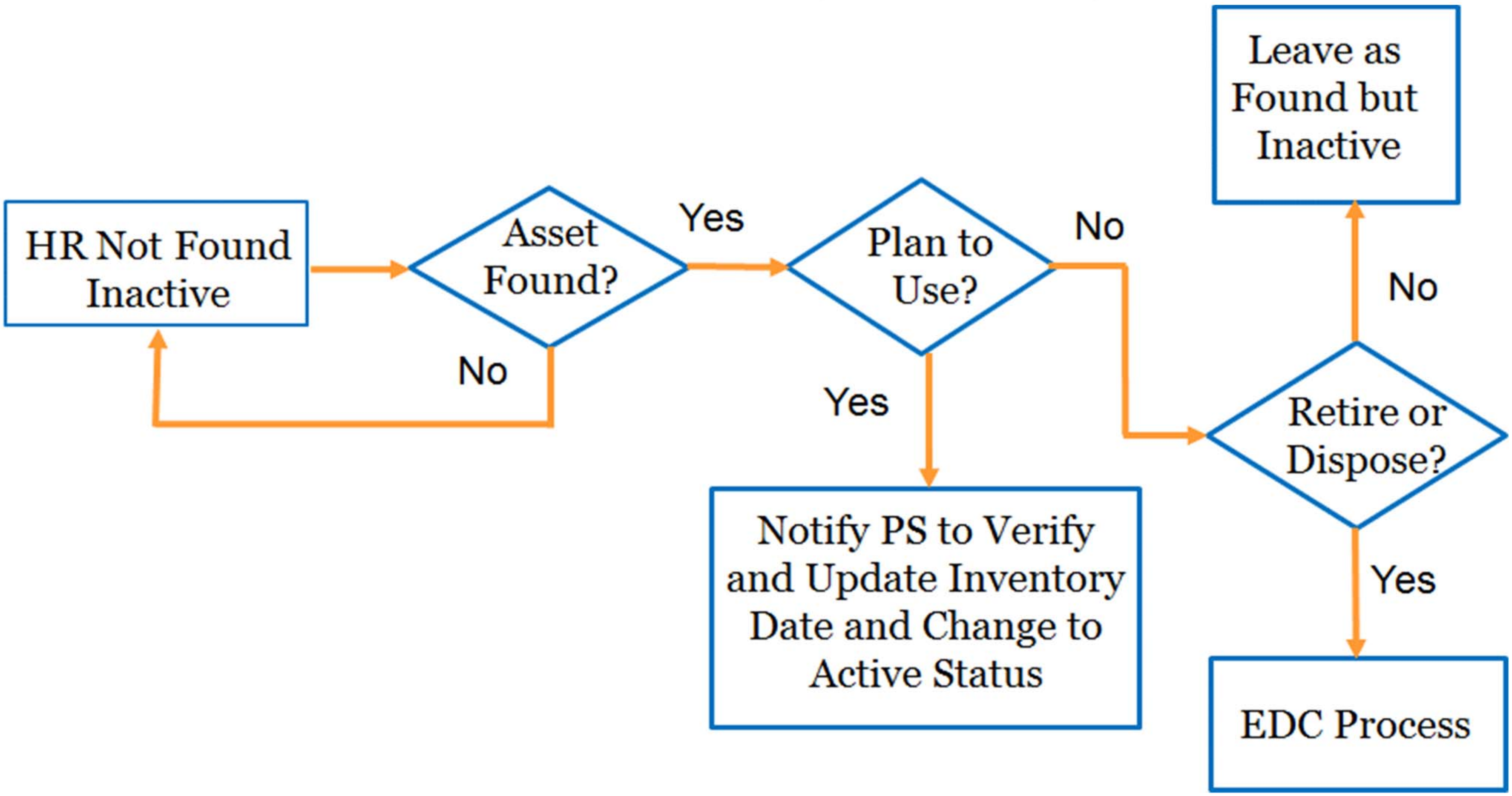
- Caltech owned equipment with no residual value. This equipment has no remaining useful life.

- Government owned equipment, or
- Other owned equipment, or
- Caltech owned equipment with a residual value.

Not Found Equipment Process Diagram
Low Risk (LR) Assets
Interim Process (Not Finalized)



Not Found Equipment Process Diagram
High Risk (HR) Assets
Interim Process (Not Finalized)



Inventory Process

Overview Equipment Inventory Process

Campus Notification of New Equipment Inventory Cycle

Review Equipment Inventory Process with Campus

Provide Div. Reps. with Information Pkg. Or Div. Reps. Can access the info. via ETS

Schedule Meetings with Div. Reps. to Perform the Inventory

Self-scanning

Perform the Equipment Inventory & Document Required Information

Data Processing & Analyses

Initial Results

Reconciliation

Final Results

Final Equipment Report (to Mgmt.)

Equipment Inventory: Process – Physical Inventory

- Each Division or Academic Department will need to identify an appropriate person(s) to act as the Division Representative(s) for Property Services (PS) to work with during the Equipment Inventory Process.

- The Division Representative(s) should have appropriate knowledge of the status of the equipment, or is able to obtain the appropriate knowledge about the equipment during the inventory process

Equipment Inventory: Process - Physical Inventory (cont'd)

2. Prior to the day of the equipment inventory, PS will provide the Division Representatives with an electronic report of all equipment currently assigned to the group. The report will contain the following information:
   a) Equipment information (Description, Model No., Serial Number, Manufacturer Name, Asset No., Tag Number, etc.)
   b) Ownership Title (Caltech owned, Government Owned, etc.)
   c) Location (Building Name, Room No.)
   d) Assigned Owner (PI or Staff Name)
   e) Academic Department
   f) Date Placed in Service

Equipment Inventory: Process - Physical Inventory (cont'd)

Alternatively, the divisions can run their own reports using the Equipment Tracking System (ETS).

See the ETS training materials for instructions on how to run, filter, export, or print the report.

Equipment Inventory: Process – Physical Inventory (cont'd)

3. The Division Representatives should
   a) Verify that the information on the Fixed Asset report is correct and accurate, and let PS know if there are any errors in the report.
   b) Know location or be able to find the location of all equipment they have been assigned to physically inventory during the process.
   c) Provide PS with physical access to the rooms where the equipment to be inventoried is located (if not doing self-scanning).
   d) Be able to answer inventory related questions regarding each equipment asset or be able to find the answers to the questions.
   e) Be available to meet and interact with the PS staff during the process.

Equipment Inventory: Process – Physical Inventory (cont'd)

4. Scheduling
   a) PS will schedule a day and time with the designated person to perform the inventory.
   b) Depending on the volume of equipment assets and the number of rooms, the physical inventory may take more than 1 day per research group.

Equipment Inventory: Process – Physical Inventory (cont'd)

5. What will happen on the Inventory Day?
   a) PS and/or the Division Representatives will physically locate all equipment on the list and verify and/or update any equipment information that has changed since the previous inventory.
   b) Scan information appearing on the Equipment Tag into a hand held scanner.
   c) Verify that the room number agrees with the room number in the Fixed Asset System and the most recent floor plans and update, if needed. (This may occur on a different day depending on resource availability.)

Equipment Inventory: Process – Physical Inventory (cont'd)

5. What will happen on the Inventory Day? (cont'd)
    d) Identify and document any equipment that has not been used within the last 12 months.
    e) Verify that the funding agency that paid for the government owned equipment has formally approved all work that is performed using that equipment. The verification may be via a certification or email statement at the end of the inventory process.

Equipment Inventory: Process – Physical Inventory (cont'd)

5. What will happen on the Inventory Day? (cont'd)
   f) Identify and document
      1) Equipment being used that has no equipment TAG, and does not appear in the Fixed Asset System, especially if the equipment looks new or like an equipment item that would normally be expected to be tagged and tracked (capital equipment).
      2) Equipment that is no longer being used, but is kept for parts that have been or will be used as replacement parts for other equipment.

Equipment Inventory: The Reconciliation Process

What will happen after the Inventory Day?

1. PS will provide the Division Representative with a list of any equipment items that appeared on the inventory list but were "not found" during the inventory process and a list of any additional information that may be needed.
   a) The Division Representative will be given 2 weeks (contact PS if more time is needed) to locate the missing equipment or an official explanation as to why the equipment was not found must be provided to PS.
      1) <u>This explanation will be documented and contribute to a statistic that is included in a Final Inventory Report</u>
   b) If the "Not Found" equipment is located, then the designated person will contact PS to arrange a time for PS to physically see the equipment and obtain updated inventory information.

Equipment Inventory: The Re-Inventory Process

The re-inventory process will start in July 1, 2019.

1. PS will provide the Division Representative with a list of all equipment items that appeared on the inventory list but were "not found" at the end of the inventory (June 30, 2019).

   a) The Division Representative will be given 4 weeks (contact PS if more time is needed) to locate the missing equipment.
   b) If the equipment is located, then the designated person will contact PS to arrange a time for PS to physically see the equipment and obtain updated inventory information.

Equipment Inventory: The Re-Inventory Process (cont.)

The re-inventory process will end in July 31, 2019.

2. PS will be requesting the following information from Divisions for the high-risk equipment that was still not located at the end of the re-inventory process:
   a) A description of steps taken to located the missing equipment.
   b) An explanation for each of the “not found” equipment assets as to why the equipment could not be found.
   c) A corrective action plan documenting measures that will be implemented on a go-forward basis to ensure all equipment within the Division’s responsibility can be accounted for throughout the equipment’s lifecycle.

Self-Scanning

1. The divisions that will be scanning their equipment will need to provide PS with a planned schedule showing the timing for completing major milestones before beginning the inventory scanning process.
2. Individuals that will be performing self-scanning for their divisions will be shown how to use the scanner, and be given a demonstration
   - ❖ Look up specific equipment and associated information
   - ❖ Change building and room locations
   - ❖ Identify equipment “found” and “not found”
3. Equipment listing will be provided by PS or can be obtained via ETS
4. Building Number and Building Names cross walk will be provided by PS

Self-Scanning (cont'd)

5. After all the equipment within a room has been scanned, the scanner can be used to see any remaining equipment on the list that was not found.
6. On a weekly basis, the scanner will be given to PS to upload recently scanned information into the Fixed Asset System.
7. Once the scanner information has been uploaded, an updated report of remaining not found equipment will be provided back to the division representative.
8. The scanner will be returned to the division representative to continue performing additional scanning.
9. Steps 5 – 8 are repeated until the division completes the scanning process for all of their equipment.

This presentation will be posted at:

http://finance.caltech.edu/Cost_Studies/Training_Materials

Questions?