

Caltech

Equipment Disposal Certification Process

March 2019

Contacts

Property Services (PS)

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Agenda

- **Results of the Recent EDC Process**
- **Equipment Retired, Disposed, and Inactive Status**
- **EDC Process Discussion**
- **Equipment Transfers and Loans**

Equipment Disposal Certification (EDC) Process



Results of Recent EDC Process

Results of the FY2014 EDC Process

Caltech

Result of the FY2014 EDC Process

FY2014

Item No.	Types of Equipment Disposals	Asset Count	% of Total Count
1	Asset Disposal Consistent with How it was Processed in the Fixed Asset System	59	92.2%
2	Asset Returned to Vendor with a Cash Refund (\$77,895)	1	1.6%
3	Asset Traded for \$10,000, but Processed as a Retirement Only	1	1.6%
4	Asset Sold but Processed as Unsold	1	1.6%
5	Asset Retired in Error, Still in Use (Asset # 48547) - See below	1	1.6%
6	Asset Retired as Not Found, but now Found and May Use in the Future (Asset #35983)	1	1.6%
	Rounding Error		-0.2%
	Total	64	100.00%

	Questioned OR\$	F&A Rate Impact (Percentage Points)
Audited Questioned Costs	\$313,400	0.25
EDC Results	\$ 218,106	0.16
Anticipated Reduction in Questioned Cost	\$ 95,294	0.09

Results of the FY2015 EDC Process

Caltech

Result of the FY2015 EDC Process

FY2015

Item No.	Types of Equipment Disposals	Asset Count	% of Total Count
1	Asset Disposal Consistent with How it was Processed in the Fixed Asset System	61	87.1%
2	Asset Sold but Processed as Unsold	5	7.1%
3	Asset was Traded, but processed as Sold	1	1.4%
4	Assets Retired in Error, but Still in Use	3	4.6%
	Rounding Error		-0.2%
	Total	70	100.0%

	Questioned OR\$	F&A Rate Impact (Percentage Points)
Audited Questioned Costs	\$671,331	0.51
EDC Results	\$ 344,691	0.24
Anticipated Reduction in Questioned Cost	\$ 326,640	0.27

FY2018 EDC Process: Preliminary

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FY2018 Equipment Disposal Certification (EDC) Process: Preliminary Results

March 2, 2019

Consistent with Disposal Process	Asset Count	% of Total Asset Count	Gains/Losses
(1) Consistent with Disposal Process? Yes	178	72%	\$ (1,349,059)
(2) Cannot Claim	53	22%	\$ (207,722)
(3) Consistent with disposal process? No	7	3%	\$ (25,166)
(4) Inadequate information and support	8	3%	\$ (5,989)
Grand Total	246	100%	\$ (1,587,935)

FY2018 EDC Process: Preliminary

Caltech

FY2018 Equipment Disposal Certification (EDC) Process: Preliminary Results
March 2, 2019

(2) Cannot Claim	Asset Count	% of Total Asset Count	Gains/Losses
EDC Not Returned	39	16%	\$ (185,364)
Equipment Donated	7	3%	\$ (17,081)
Equipment is Still in Use	7	3%	\$ (5,276)
(2) Cannot Claim Total	53	22%	\$ (207,722)
Total Assets Retired in FY2018	246		

Note, one of the EDCs did not have an actual signature so certification was invalid in addition to the fact that the item still in use.

FY2018 EDC Process: Preliminary

Caltech

FY2018 Equipment Disposal Certification (EDC) Process: Preliminary Results

March 2, 2019

(3) Consistent with disposal process? No	Asset Count	% of Total Asset Count	Gains/Losses
Broken asset was retired. Later, paid to repair. Currently not in use but may be used in the future as back-up	2	1%	\$ (10,989)
Sold, but processed as retired only	4	2%	\$ (12,925)
Traded, but processed as retired only	1	0%	\$ (1,252)
(3) Consistent with disposal process? No	7	3%	\$ (25,166)
Total Assets Retired in FY2018	246		

FY2018 EDC Process: Preliminary

Caltech

FY2018 Equipment Disposal Certification (EDC) Process: Preliminary Results

March 2, 2019

(4) Inadequate information and support	Asset Count	% of Total Asset Count	Gains/Losses
EDC stated only retired/ need explanation	2	1%	\$ -
No EDC Report	1	0%	\$ (8,417)
Not in use; retired, but no explanation	3	1%	\$ -
Sold, but no sale price or documentation	1	0%	\$ 2,195
Sold, but need to verify sale amount/ EDC shows "Other" with no explanation.	1	0%	\$ 234
(4) Inadequate information and support	8	3%	\$ (5,989)
Total Assets Retired in FY2018	246		

Equipment Disposal Certification (EDC) Process

**Equipment Retired, Disposed,
and Inactive Status**

Equipment Status: Inactive, Retired, and Disposed

1. Inactive: Equipment that has not been in use for extended time period, and with no planned usage in the foreseeable future, and have not been retired, or disposed.
 - a) Not considered retired, and may be re-instated to “active” status
 - b) Equipment depreciation will be included in the annual financial statements
 - c) Equipment depreciation will not be claimed in the F&A Rate when under “Inactive” status
 - d) Will be included in future inventory cycles until the asset is retired
 - e) Will be the status for any equipment not found during the equipment inventory process

Equipment Status: Inactive, Retired, and Disposed

1. **Inactive**: Equipment that has not been in use for extended time period, and with no planned usage in the foreseeable future, and have not been retired, or disposed.
 - f) “Low Risk” not found equipment may be retired through the EDC process after documenting efforts taken to locate the equipment, and identifying equipment as “Low Risk” on the EDC Form.

High Risk and Low Risk Equipment

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, of any amount.

Equipment is classified as “Low Risk” if it is

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

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

Equipment Status: Inactive, Retired, and Disposed

2. Retired: Equipment that is not needed, and has either reached the end of its useful life (normal retirement), or has become obsolete prior to reaching its useful life (early retirement), and has not yet been disposed.
 - a) Gains/Losses upon retirement will be reflected in the financial statement and claimed in the F&A rate process
 - b) Not intended to be able to be re-instated

Equipment Status: Inactive, Retired, and Disposed

3. Disposed: Retired equipment that has been removed from Caltech, or retained for spare parts:

a) **Disposal Methods**

- i. E-Wasted
- ii. Donated
- iii. Sold
- iv. Traded
- v. Transferred to Another Institution
- vi. Retained for spare parts
- vii. Other?

Equipment Status: Inactive, Retired, and Disposed

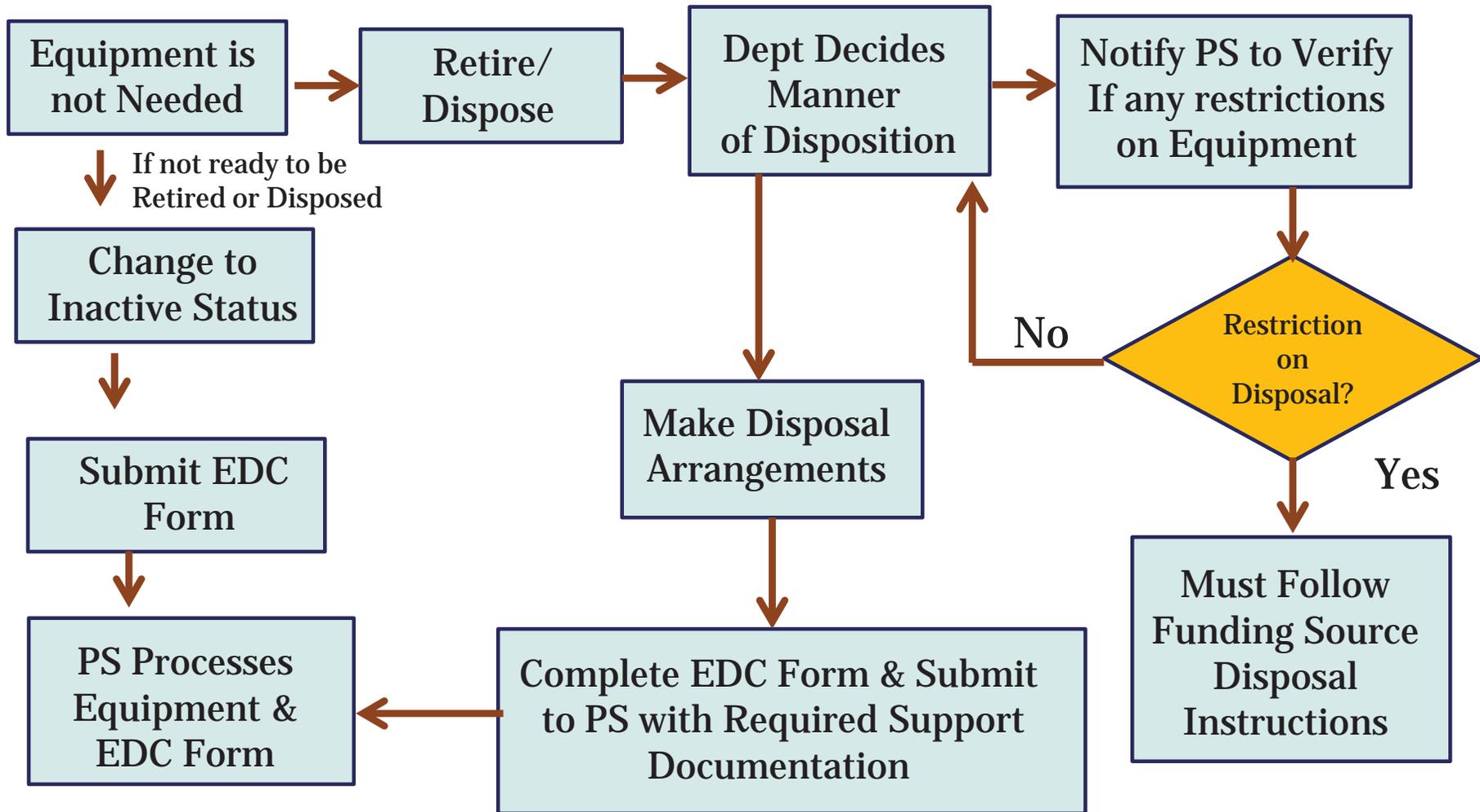
3. Disposed: Retired equipment that has been removed from Caltech, or retained for spare parts (cont'd):
 - b) Gains/Losses upon retirement will be reflected in the financial statement and claimed in the F&A rate process
 - c) Not intended to be able to be re-instated

Equipment Disposal Certification (EDC) Process

EDC Process Discussion

EDC Process as of Now-

We are open to listening to any ideas you may have for improving this process



When should an equipment asset's status change be requested and processed?

1. Change status to "Inactive"

- When the equipment is no longer needed, and no foreseeable usage is known, but it is not ready for retirement or disposal

2. Change status to "Retired/Disposed"

- When decision is made to never use equipment again and to retain only for parts

3. Change status to "Disposed"

- When the equipment is ready to be removed from Campus and appropriate support documentation is available

Caltech Property Services
Equipment Disposition Certification Form

Equipment Information

Tag Number: _____ Asset Number: _____
Description: _____
Manufacturer: _____
Model: _____
Serial Number: _____
Acquisition Cost: _____
Acquisition Date: _____
Disposition Date: _____
Ownership: _____

Method of Disposition (Choose One):

- | | |
|--|--|
| <input type="radio"/> E-Wasted | <input type="radio"/> Traded-In (Value) |
| <input type="radio"/> Returned to Vendor (Credit Amount) | <input type="radio"/> Sold (Proceeds) |
| <input type="radio"/> Transferred to Outside institution | <input type="radio"/> Lease/Loan/Rental Return |
| <input type="radio"/> Shipped to Sponsor | <input type="radio"/> Cannibalized |
| <input type="radio"/> Donated | <input type="radio"/> Other (Explain) |

For the equipment described above, I certify that:

1. I am the person with authority to make [final] decisions regarding this equipment, and have knowledge of the status of the equipment.
2. This equipment is no longer in service. The equipment was disposed of and is no longer physically at Caltech or the equipment has not been used to perform any work and has only been retained to be used for parts (cannibalized).

Additional Comments:

PI Name: _____ Div. Admin Name: _____
Signature: _____ Signature: _____
Date: _____ Date: _____

Reset Form

- This is what the current EDC Form looks like. We may add an option to include “Inactive”.
- This form is used whenever equipment is no longer going to be at Caltech, or if equipment is retained only for parts.
- What are your thoughts regarding this form?

How to Request Change of Status, Retirement, or Disposal?

- Submit a completed the Equipment Disposal Certification (EDC) Form and supporting documents to Property Services.
 - **Supporting Documents**
 - **Sold:** Sales agreement showing equipment information, dates, and sale price; Copy of check payment
 - **Donated:** Written document from the party receiving the equipment with equipment information, dates, and recipient information

How to Request Change of Status, Retirement, or Disposal?

- Submit a completed the Equipment Disposal Certification (EDC) Form and supporting documents to Property Services.
 - **Supporting Documents**
 - **Traded:** Written document from the party receiving the equipment with equipment information, dates, and recipient information, and identification of what Caltech received in exchange for the equipment along with the estimated value of the item(s) Caltech received.

How to Request Change of Status, Retirement, or Disposal?

- Submit a completed Equipment Disposal Certification (EDC) Form and supporting documents to Property Services.
 - **Supporting Documents**
 - **Transferred to Another Institution:** Written document from the party receiving the equipment with equipment information, dates, and recipient information, and identification of what Caltech received (if anything) in exchange for the equipment along with the estimated value of the item(s) Caltech may have received.

How to Request Change of Status, Retirement, or Disposal?

- Submit a completed Equipment Disposal Certification (EDC) Form and supporting documents to Property Services.
 - **Supporting Documents**
 - **E-Wasted:** Written document from the party involved with the E-Waste process with equipment information, and dates, and final destination of the equipment.

How to Request Change of Status, Retirement, or Disposal?

- Submit a completed Equipment Disposal Certification (EDC) Form and supporting documents to Property Services.
 - **Supporting Documents**
 - **Other Manner of Disposals:** Strongly recommend that Campus contact Property Services to discuss any “Other” manner of equipment disposals, so that a determination can be made as to what type of supporting documents will be needed.

How to Request Change of Status, Retirement, or Disposal?

- It is extremely important that the manner in which the equipment is retired/disposed is consistent with information disclosed in the EDC Form.
- It is important to have proper closure to the EDC process by providing appropriate supporting documents at the time of the event as evidence that the equipment was disposed in the manner disclosed in the EDC form.

Why is it a problem to Reinstate Equipment that has been Retired/Disposed?

When equipment is retired or disposed, any gains or losses associated with that equipment is reflected in the Financial Statement, and claimed in the F&A Process.

Reinstating an equipment at this point would imply that the information in the final audited Financial Statement and in the F&A Rate contains errors. These errors cannot easily be corrected at this point.

Reinstating Retired/Disposed Equipment

- **We are still in the process of having discussions on this issue with the Controller to determine how to best address this situation.**

Equipment Not Found



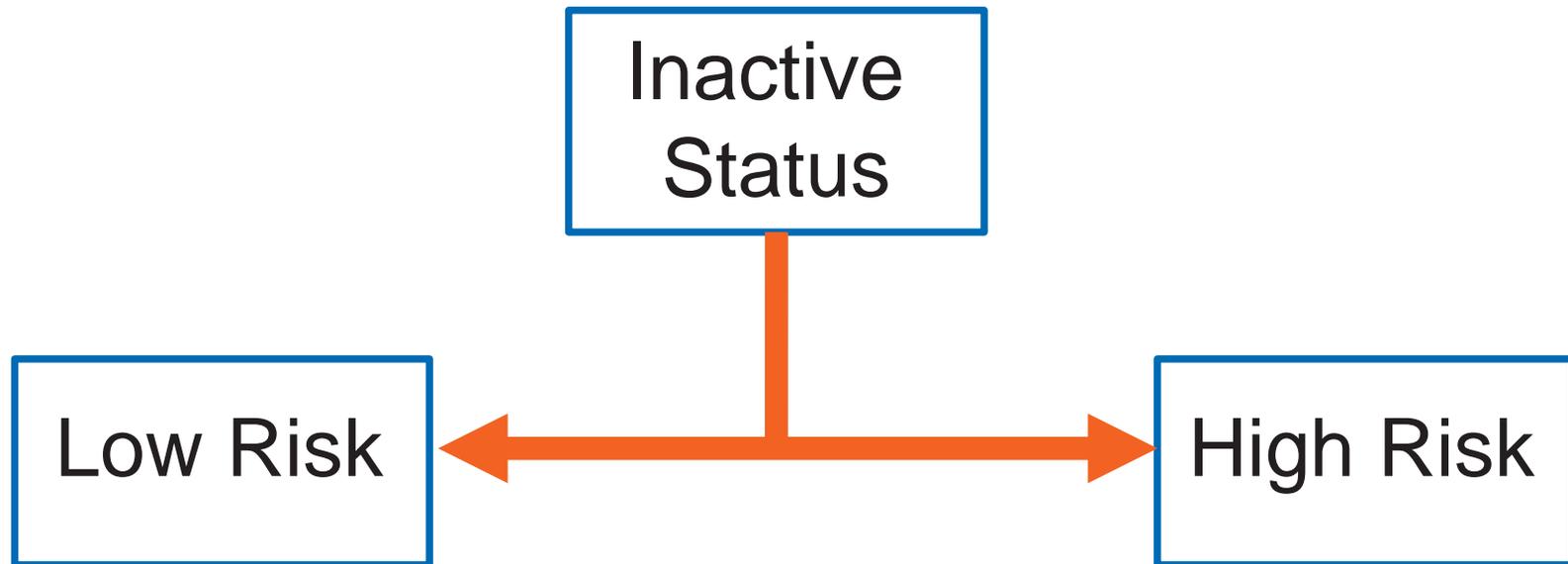
Treatment of Equipment Not Found

Equipment Not Found

- The government expects that organizations should know the location of all assets.
- Any “Not Found” equipment is considered a weakness in the organization’s internal control system used to properly management equipment assets, and the government will scrutinize this weakness.

Not Found Equipment Process Diagram

Interim Process (Not Finalized)



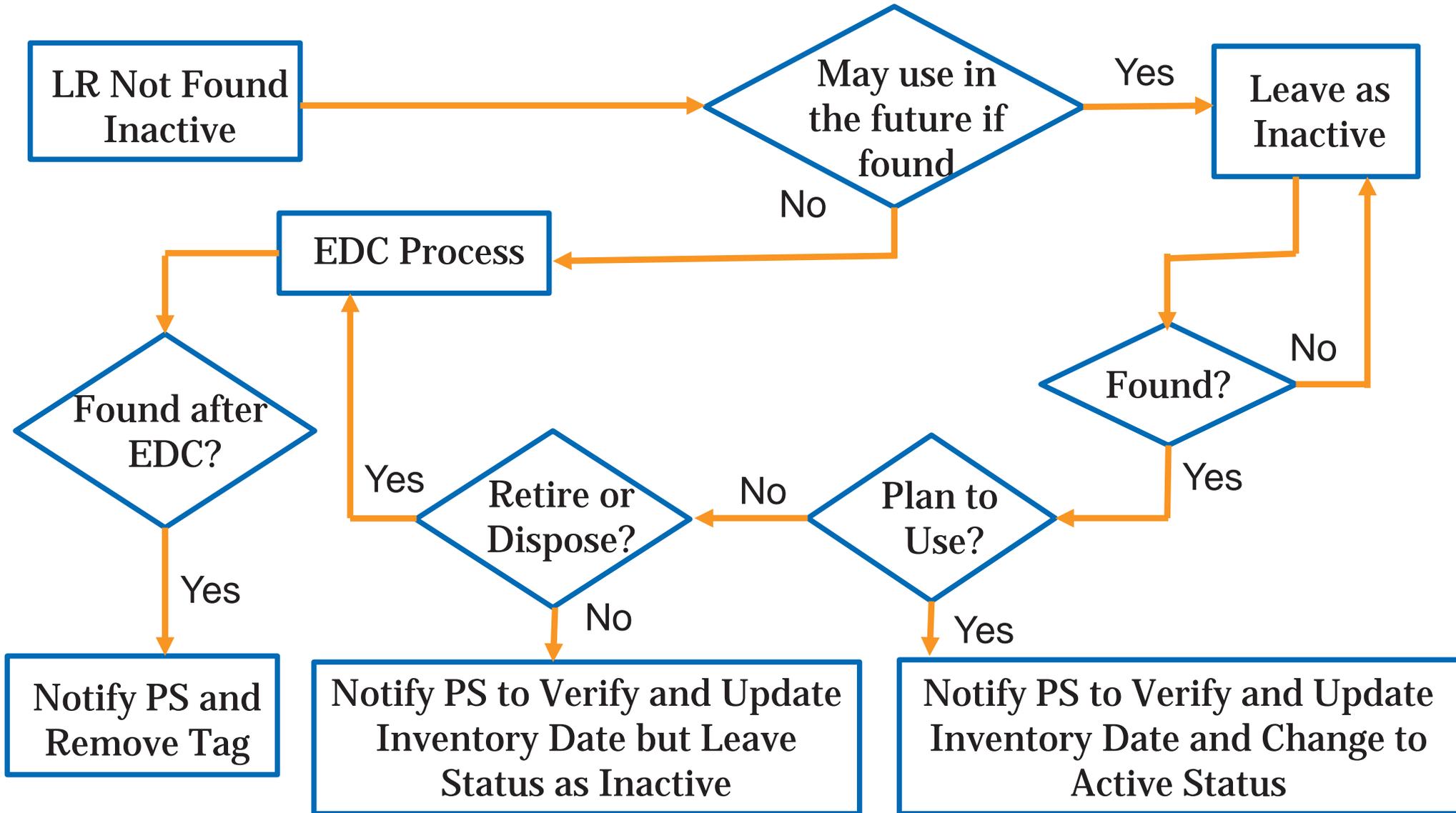
- ❖ Caltech owned equipment with no residual value. This equipment has no remaining useful life.

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

Not Found Equipment Process Diagram

Low Risk (LR) Assets

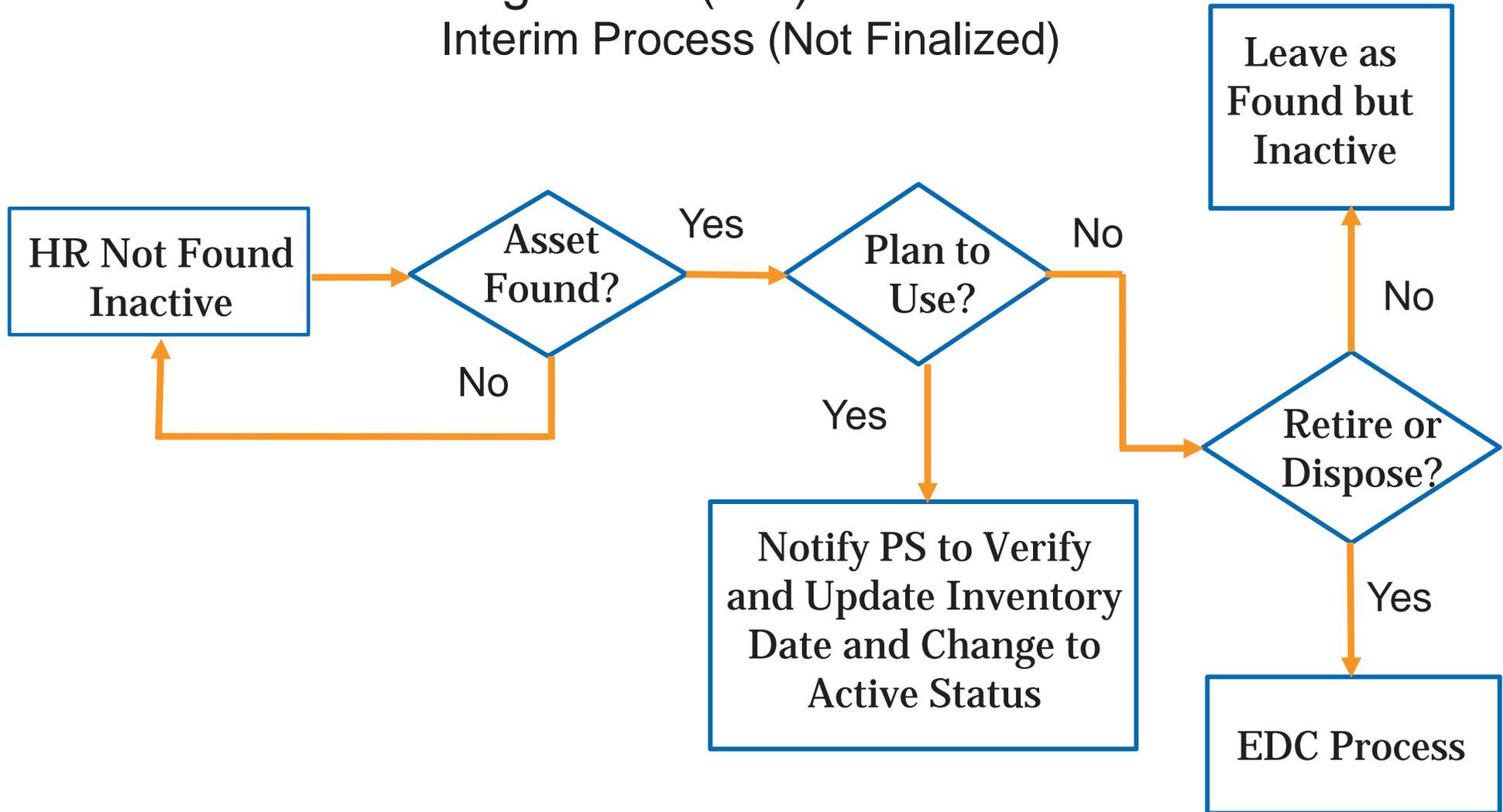
Interim Process (Not Finalized)



Not Found Equipment Process Diagram

High Risk (HR) Assets

Interim Process (Not Finalized)



Equipment Transfers, Movements and Loans



**Managing External Transfers,
Internal Transfers, Movements,
and Loans**

Equipment Transfers

- **Equipment Transfers- Ownership, is given to an another party without the intention of the equipment returning to original owner (party).**
 - **External Transfers- Transfer between Caltech and non-Caltech entities.**
 - Use the EDC process.
 - **Internal Transfers- Between Caltech parties. Equipment is not returning to the original Assignee.**
 - Use the Internal Transfer process.

Equipment Movements

- **Equipment Movements – Changes in the location of equipment**
 - **Movements that do not need to be reported**
 - Movement of equipment within PI's various labs in the same building
 - **Movements that need to be reported**
 - Movement of equipment between buildings
 - Movements of equipment between research groups even if within the same building
 - Use the Internal Transfer process to report these changes

Equipment Loans

- **Equipment Loans- Possession is given to another party, with the intention of the equipment returning to the original party.**
 - **External Loans (Lender) – Caltech equipment is loaned to an external party and will be returned to Caltech.**
 - Use the Caltech Equipment Loan Form (Lender version).
 - **External Loans (Borrower)- Equipment is being loaned to Caltech from an external party and will be returning to the external party.**
 - Use the Caltech Loan Form (Borrower version).

Equipment Loans

- **Equipment Loans- Possession is given to another party, with the intention of the equipment returning to the original Owner.**
 - **Internal Loans- Equipment is loaned to an Caltech party and will be returning to the original Assignee.**
 - Use the Internal Transfer Form.
 - **Movement of Equipment to another location.**
 - Use the Internal Transfer Form.

Caltech Property Services
Internal Caltech Equipment Transfer Certification Form
(This Form is to be Used Only for Transfers of Equipment Within Caltech)

Equipment Information

Tag Number: _____ Asset Number: _____
Description: _____
Manufacturer: _____
Model: _____
Serial Number: _____
Acquisition Cost: _____
Acquisition Date: _____
Disposition Date: _____
Ownership: _____

Equipment Transfer Information

Date of Transfer: _____
New Location: _____ Previous Location: _____
New Department: _____ Previous Department: _____
New PI/Caretaker: _____ Previous PI/Caretaker: _____

For the equipment described above, I certify that:

1. I am the person with authority to make [final] decisions regarding this equipment, and have knowledge of the status of the equipment.
2. This equipment has officially been transferred responsibly as indicated above. The new PI/Caretaker will be expected to promptly notify Property Services if and when this equipment is transferred, retired, donated, traded, sold, e-Wasted, cannibalized, or not in use. The transfer was completed at no cost to any federal award.

Additional Comments:

Sending Group

PI Name: _____
Signature: _____
Div. Admin Name: _____
Signature: _____
Date: _____

Receiving Group

PI Name: _____
Signature: _____
Div. Admin Name: _____
Signature: _____
Date: _____

- This is what the new Internal Equipment Transfer Form looks like. It is still in draft form, so we can still make changes.
- Used for processing internal equipment transfers between assignees, and/or movements in location
- What are your thoughts regarding this form?

OUTGOING PROPERTY LOAN DOCUMENT
California Institute of Technology (Lender)

1. CIT Tag Number:	2. Loan Period: From _____ to _____	3. Inventory Report Date:	4. Page: ____ or ____
5. Lender Name: CIT Department Phone Number Contact Name		6. Borrower Name: Address Phone Number Contact Name	
7. Purpose of loan and location where property will be used:			
8. Additional Information: a. Sponsor's or approver's name: b. Restrictions (if any) on use:			
9. Item Description:	10. Manufacturer:	11. Year Mfg.	
12. Serial Number:	13. Acquisition Cost if Federal Loan:	14. Value if Non Federal Loan:	
15. Model Number:	16. Condition	17. If more than one item is loaned, check here and attach listing: <input type="checkbox"/>	

Terms and conditions of loan:

1. Borrower will:
 - a. Assume all costs involved in preparation, handling, loading, disconnecting, transportation, and shipping insurance from and to Lender (Caltech);
 - b. Use the loaned property only for the purposes specified in this loan agreement;
 - c. Maintain and calibrate equipment in accordance with the manufacturing specifications;
 - d. Return the loaned item(s) in like condition as received from Lender, normal wear and tear excepted, and free of contamination, on or before the expiration date, unless the loan period is formally extended on or the loan is terminated before the due date;
 - e. In case of loss or damage of the property loaned, report such loss immediately to Caltech Property Services and reimburse Lender (Caltech) at the current price or replacement or repair (including cost of loss of use); and
 - f. Agree to defend, indemnify and hold harmless Lender (Caltech) and its officers, employees and agents against any and all liability, loss, damages, and claims arising from Borrower's use or possession of the loaned property.

Approved, agreed to and accepted by:

Signature of Borrower's Authorized Representative	Name	Title (Print or Type)	Date
Signature of Caltech Initiator	Name	Title (Print or Type)	Date
Signature of Caltech Property Services Representative	Name	Title (Print or Type)	Date

- This is what the Lender version of the External Loan Form looks like.
- Used for processing equipment that Caltech loans to an external party
- What are your thoughts regarding this form?

INCOMING PROPERTY LOAN DOCUMENT
California Institute of Technology (Borrower)

1. CIT Tag Number:	2. Loan Period: From _____ to _____	3. Inventory Report Date:	4. Page: _____ of _____
5. Lender Name: Address Phone Number Contact Name		6. Borrower Name: CIT Department Phone Number Contact Name	
7. Purpose of loan and location where property will be used:			
8. Additional Information: a. Reference/contractual: b. If loaned for use on a current agreement, enter agreement number. c. Sponsor's or approver's name: d. Restrictions (if any) on use:			
9. Item Description:	10. Manufacturer:	11. Year Mfg.	
12. Serial Number:	13. Acquisition Cost if Federal Loan:	14. Value if Non Federal Loan:	
15. Model Number:	16. Condition	17. If more than one item is loaned, check here and attach listing: <input type="checkbox"/>	

Approved by: _____			
Signature of Caltech Department Administrator	Name	Title (Print or Type)	Date

Signature of Caltech Property Services Representative	Name	Title (Print or Type)	Date

- This is what the Borrower's version of Caltech External Loan Form looks like.
- Used for processing equipment that Caltech Borrows from an External party.
- What are your thoughts regarding this form?

Plans for Future Improvements

We will be investigating the feasibility of trying to automate parts or all of these processes.

What kinds of automation would you like to see in support of equipment retirement, disposals, internal transfers, and loans?

- Approval routing?
- Retention of records?
- Electronic approvals?
- Replacement of hardcopy forms?
- Reduction in information to manually input?
- Others??

Questions?

This presentation will be posted at:

**[http://finance.caltech.edu/Cost_Studies/
Training_Materials](http://finance.caltech.edu/Cost_Studies/Training_Materials)**