I. POLICY

This policy serves as a guideline for all departments performing annual inventories. Annual inventories are required to be performed in accordance with University policy and North Dakota State Law. The policy outlines the procedures for completing annual inventories as well as the repercussions of not performing the mandatory annual inventory.

II. REASON FOR POLICY

The annual equipment inventory audits are completed for the following reasons:

1. The North Dakota State Law (Century Code Chapter 44-04-07) requires each department to perform an annual equipment inventory of all major equipment.
2. All major equipment (> $5,000) is maintained in the fixed asset subsidiary ledger and is reconciled to the general ledger on a monthly basis. Performing an annual inventory ensures that Asset Management’s records are accurate.
3. All minor equipment (< $5,000) is updated via the annual audit for insurance purposes. Each department is responsible for maintaining an accurate listing of Minor Equipment. If there is equipment in your department that is not on the Minor Equipment listing sent to Asset Management, IT IS NOT INSURED. If those items not on your Minor Equipment listing are destroyed, you are not insured for any loss on that equipment. Failure to provide a comprehensive Minor Inventory List could result in substantial loss to the department if an insurance claim is filed and the equipment was not properly documented. It is critical that the Inventory Coordinator in the department updates this list on a regular basis.

III. SCOPE OF POLICY

All departments of the University must be in compliance with this policy. Department Heads are notified either in the spring or the fall as to when their department’s annual inventory is to be completed. It is the Department Head’s responsibility to ensure that the inventory is completed and accurate and submitted to Asset Management by the due date. Instructions should be shared and reviewed with any department staff performing counts or documenting the inventory.

IV. CONTACTS

Asset Management should be contacted for any questions on completing the annual inventory. Campus Safety & Security (Insurance) should be contacted for questions relating to assessing the insured value and any questions with regards to insuring property. See Safety’s website for policies and procedures at: [http://und.edu/finance-operations/environmental-health-and-safety/](http://und.edu/finance-operations/environmental-health-and-safety/)
V. DEFINITIONS

A. Annual Inventory – Process of verifying all major equipment owned by the department is on the Inventory Item list and vice versa and compiling (or updating) a list of minor equipment.

B. Inventory Coordinator – Person assigned to manage and oversee the completion of their department’s annual inventory.

C. Inventory Item List – A query run by departments in PeopleSoft (NDU_AM20_INVENTORY_BY_DEPT) that shows all major equipment tags as well as a minor inventory tag per building. The minor inventory tag represents the subtotal of the buildings’ inventory that is recorded on the department’s Excel spreadsheet.

D. Major Equipment – Inventory purchases by a department that has a value of $5,000 or more. This inventory is added to PeopleSoft by Asset Management.

E. Major Equipment Transfer and Status Report – Report used by departments to document a transfer of equipment to another department, transfer of equipment to another location (same department owns the equipment), document lost or stolen items, and inventory to be deleted due to trade in. In all cases, the form must be signed by the department head in order to be considered complete.

F. Minor Equipment – Inventory purchased by a department that has a value of less than $5,000. This inventory is to be maintained and recorded on an Excel spreadsheet by the department. The template can be found at this web address: http://und.edu/finance-operations/asset-management/forms.cfm

G. Off Campus Equipment – All major and minor equipment being used off campus for more than seven consecutive days must be designated as located in location code OFF-CAMPUS. A piece of equipment must be adequately classified so that UND insurance can purchase proper coverage. Please maintain a separate list of off-campus equipment and send a copy of the schedule and authorizations to Asset Management with your completed inventory.

H. On-Cam-Are – This location code is for all major/minor equipment that is used for the maintenance of campus streets. This also includes all trailers, boats, tractors, GEM cars, formula cars, road graders, etc. Any major/minor equipment that is stored outside on campus should be listed under this category. Major items that are valued at more than $5,000 and kept outside, contact Campus Safety & Security regarding insurance coverage. For complete coverage of these major equipment items, they must be listed separately with State Fire & Tornado’s Schedule of Property. Items that would fall under this category are towers, satellite dishes, fences, etc. All other items under this category are insured with Inland Marine.

I. Replacement cost – The value of a piece of equipment used for insurance reporting purposes. This figure represents the cost a department would incur if the equipment was destroyed and needed to be replaced. An example is a laptop purchased 5 years ago. The cost of the laptop does not change, but the replacement cost most likely would decrease each year given the decrease in laptop prices.
VI. PROCEDURES

Departments are required to perform their inventory either in the spring or the fall. Asset Management sends instructions to the Department Head and the department will run the AM query and download their Inventory Item list. The Department Head then must ensure that the inventory is performed. Typically, an Inventory Coordinator is assigned. The Coordinator must complete two inventories: the major inventory and a minor inventory.

**Major Inventory:**

The following steps are to be completed:

- Run the PeopleSoft query, NDU_AM20, to download the Inventory Item List.
- Review the Inventory Item List.
- Descriptions, replacement cost, and locations of items should be reviewed for accuracy.
- Corrections to location, description, serial number, replacement cost (insured value in Legacy), etc. should be written above the printed entry.
- Review all Off Campus property to ensure that it qualifies according to the definition noted above.

Discrepancies may exist between the Inventory Item List and the Department’s records. The following items are examples of possible differences between assets in the department and the assets per the Inventory Item List.

- **Equipment transferred to another department:** Major equipment items on your report that have been transferred to another department within the University must have an Equipment Transfer and Status Report form completed at the time of the transfer. A copy should be attached to the annual inventory. It is the department’s responsibility to ensure that the department receiving the equipment completes their portion of the form and returns it to Asset Management. The transfer of equipment will not be processed until Asset Management receives the original copy of the transfer form. This form is available on the Asset Management website at: [http://und.edu/finance-operations/asset-management/forms.cfm](http://und.edu/finance-operations/asset-management/forms.cfm)
- **Deletions:** Major equipment to be deleted should be indicated by drawing a line through the printed entry and marking “D” after the item number. Please attach copies of supporting documentation signed by the Department Head to the annual inventory. NO ITEM WILL BE DELETED FROM INVENTORY WITHOUT PROPER DOCUMENTATION.
  - Examples of deletions:
    - **Trades** - Complete and attach an Equipment Transfer and Status Report. Remember trades require the approval of the Purchasing Department.
    - **Stolen Property** - Attach a copy of the police report.
    - **Surplus Property** - Attach a copy of the surplus property form. Do not send the original form to Asset Management, this goes directly to Surplus Property.
Contact Doug Norgard (7-3125) with questions or go to the Facilities Website/Central Warehouse/Surplus Property to obtain *Surplus Property Disposal Forms*. Surplus Property will notify Asset Management when they have either sold or disposed of the equipment. Deletions will not be processed until notification is received from Surplus Property.

- **Lost Equipment** - Indicate equipment not found during the current inventory by writing “lost-mo./yr.” in red ink next to the tag number on your printed list. Please see additional procedures noted below when accounting for lost equipment.

  o **Additional Procedures when Identifying LOST Equipment**: - Due to concerns raised during the state’s annual audit at UND, the following procedures have been implemented regarding deletion of lost equipment items. All departments with lost items will be required to conduct a follow-up search for the lost items within 6 months of their regular inventory deadline.
  
  o Asset Management will send a listing of lost items to departments after receipt of their annual inventory.
  
  o Departments will make a second search for lost items.
  
  o Upon completion of the search for the lost items, departments should complete an Equipment Transfer and Status Report listing the items they were still unable to locate and request that these items be deleted from the inventory. The head of the department must sign this form.
  
  o Asset Management will delete lost items from inventory upon receipt of completed Equipment Transfer and Status Form.
  
  o If an equipment item that has been deleted is later found the department should notify Asset Management in writing and the equipment tag number would be reactivated.

- **Major New equipment not tagged** (and major new equipment tagged in your possession but not on your Inventory Item List) - List equipment with a cost equal to or greater than $5,000 that is not tagged at the end of your inventory list. A purchase order number and voucher number must be provided to identify the item. Tagged items found in your location(s) but not listed on your report should also be added at the end of the report. This is very important as a means for finding equipment that may be listed as lost on another department’s inventory.

- **Old equipment not tagged** - Equipment located without a tag should be underlined on the inventory list and designated with an “R” after the number. An engraved tag will be sent to replace the missing tag.

- **Equipment items – replacement cost ("insured value" in Legacy)**:

  o In some instances, UND may be required to insure equipment items that are either being rented or are on loan to the University. If you have such items on your inventory list, please verify that these equipment items are still in your possession and that UND is still required to insure them. If the equipment has been returned, please note this by drawing a line through the line item on your inventory sheet and adding a note in the margin. You will also need to complete an Equipment Status and Transfer form for deletion of the items from your inventory list. If your department has
possession of loaned or rental equipment that UND is required to insure, please contact UND Risk Management @ 7-3441, to initiate the process of getting it insured and on your inventory. See insurance policies and procedures at: http://und.edu/finance-operations/environmental-health-and-safety/

- The department is responsible for reviewing the replacement cost for both major and minor equipment. In order to change the value, note the new value on the Inventory Item List and Asset Management will adjust accordingly.

  - A department should consider the following when assessing the replacement cost: First, if the piece of equipment is destroyed, would the department replace it? If the answer is yes, adjust the replacement cost to adequately represent the cost to replace the equipment. If the answer is no, adjust the replacement cost as the item depreciates and becomes less valuable. As an example, a department paid $100,000 for a piece of computer equipment 20 years ago and still uses the equipment. The cost to replace this item is now $10,000. The replacement cost should be adjusted to reflect the $10,000. Using the same example, the department finds that the $100,000 piece of equipment is obsolete and worthless and will not be replaced. The replacement cost should be adjusted to a zero dollar value.

**Minor Inventory:**

The following steps are to be completed:

- A mandatory minor inventory template is to be used for minor inventories. This template can be found on the Asset Management website: http://und.edu/finance-operations/asset-management/forms.cfm. This template should be maintained throughout the year as departments purchase and dispose of equipment less than $5,000.

  - The amount at which a department decides to tag minor equipment is determined at its own discretion. However, the University recommends tagging anything with a cost greater than $250.00. If the department would like to tag items below that dollar amount, that is acceptable as well. Items below the $250 dollar amount that departments might want to tag could be items that are difficult to track or items such as portable electronic equipment.

- Minor equipment is broken out in four different types: minor equipment located on campus, off campus minor equipment, off campus minor Computer and IT equipment, and outdoor minor equipment.

- Per ND State Fire & Tornado Insurance, certain items can be lumped together for inventory purposes, such as pens, paper, clips, staples, etc. If numerous offices are outfitted in the same amount of furniture and equipment, you can itemize one office and multiply that dollar amount by the number of offices your department occupies. Please note on your minor inventory list the types of office equipment that you are grouping together and considering in the cost per office.
• If a department uses a bar coding system, that system is independent of the current Inventory System. It is the department’s responsibility to purchase and maintain the system. Bar coding may be a useful tool for your department, but it is not a substitute for current Asset Management requirements.
• If substantial minor equipment is received during the year, please provide Asset Management with an updated Minor Inventory List with the new dollar value at that time.
• If you do not have a Minor Inventory List, you are not insured for any loss on the minor equipment your department owns. Failure to provide a comprehensive Minor Inventory List could result in substantial loss to the department if an insurance claim is filed and the equipment was not properly documented.

Submission of Annual Inventory:

Finally, the original Inventory Item List must be signed by the department head and the person or person(s) conducting the inventory. The Inventory Item List and minor inventory template and all other attachments must be returned to Asset Management by the due date. Inventories not turned by the deadline will be referred to the appropriate Vice President/Dean for further action.

Failure to Return Inventories and Consequences:

Departments that do not submit Annual Inventories not only run the risk of being uninsured but also are not in compliance with University policy.

Action steps:

• Asset Management contacts the department via campus mail to alert the department that the inventory has not been received or has been received but is incomplete (more documentation needed).
• Asset Management contacts the Department Head via campus mail to alert the department that the inventory has not been received or has been received but is incomplete.
• Departments who do not respond to the delinquency letters within 45 days of the original due date will referred to the appropriate Vice President/Dean for further action.