

Finding Your Assets or Your Inventory Agenda

There is no such thing as lost assets...just dig a little deeper

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Just a few facts...

A Property Manager is the connection between a company's capital assets and that company's worth.

Inventory is the act of verifying the existence, location and quantity of current capital assets on a predetermined schedule. The inventory schedule may be set by company policies, state or government considerations or laws or on a need to know basis. The end of a successful inventory is receiving back from a department the signed reconciliation letter that lists all inventory as found and/ or accounted for.

The act of delivering the preliminary reconciliation letter with a long list of lost assets can be frustrating to the Property Manager and to the Departments Fiscal Officer.

Lost Asset

The definition of a lost capital asset may be: mislaid, misplaced, vanished, gone, unavailable or simply not accounted for, or any reason that one cannot visualize or scan the bartag. Because "lost asset" is an unacceptable status to the entity's bottom line, most universities have a provisional code for "lost items" that involve a specific predetermined time period to allow that item to "turn up" prior to the record being permanently deleted from the University's official inventory listing. The asset may show up in subsequent inventories, during scheduled maintenance, through equipment disposition forms, or by searching through all aspects of departmental property transactions that have occurred since the last physical inventory cycle.

Inventory Facts

The standard inventory procedure would be that the inventory teams goes out and scans all capital equipment in a specific building or department. The next step would be to upload the scanned information to the equipment accounting system. At this point in the process various inventory jobs run to compare the data collected by scanning the assets in their current locations to the last known

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location for each asset. The data is compared against records already on file to create exception or "lost equipment" reports. Found equipment is updated appropriately with current locations and ownership, while items not scanned is put in the "lost" status code. The exception reports are then run. These exception reports allow a department one final chance to correct errors and find items reported as "lost" or in this instance, "not scanned." The report may include such information as the last location where an item was inventoried and the last known ownership affiliation.

All historical inventory data is valuable in tracking equipment disposition.

May We Help You

At this point the inventory team may offer suggestions or help departments research the movement of assets. Any items located or assets found to have been transferred out of the department's hands are so noted on the preliminary inventory report. Procedures must be in place as to the type of documentation that will be accepted as proof positive that a lost asset has been located. Serial numbers and bar tags are the obvious positive ID.

Common Reconciliation Issues

Missing or Lost Assets and/ or Overstating University Worth

Herein lie a few effective strategies for finding lost assets.

Reconciling

The scanning is done, the upload complete and the preliminary inventory reports mailed out. One of those reports mailed would be the lost assets report. This is the report that will cause the department's fiscal officer to

begin calling you. He may say, "Why do I have a quarter million in lost assets? I know that everything is in this building. Your people are not doing their job!" You reply "Well let's work on this." You have dirty hands and jeans that prove you scanned every inch of every room. Reconciliation has begun.

Missing or Lost Assets

Items that were not scanned on inventory are considered "lost." These items must be addressed and researched prior to reduction from the capital inventory. Understanding the provisional code for "lost items" is important. This item is still "active," still accumulating depreciation and still on a department's inventory. UAB requires that these assets remain in lost status through two inventory rotations prior to deletion to allow them to "turn up" before being permanently deleted from the University's official inventory. This standardized procedure allows for errors or mistakes to be reconciled prior to permanent deletion and avoids the consequences of losing capital equipment.

Where are the lost assets?

Some possible reasons that an asset might not be scanned in a department's space are: items have been sent to surplus without proper documentation, items have changed ownership or location, items have been swapped out with the vendor for like equipment, and/or items were traded in without documentation. Assets sold at bid or located at employee's homes or at off campus research sites may also appear lost because they were not available to be scanned. At times assets may be off campus at affiliated entities. Another group may be capital assets that cannot be physically tagged such as software, space equipment, operating room equipment and lights, sterilized equipment, internal patient equipment, automobiles, items located in sensitive research areas, and the list goes on.

Instances where equipment is broken and replaced by the vendor are occasionally handled without formal paperwork or the involvement of procurement or the property office. Departments might not consider this an issue until they are met with the issue of lost assets on their inventory reconciliation. The asset will be listed as lost while the replacement asset is there with no tag and a serial number that doesn't match official records. Similarly, traded in items are often gone without a disposition form or even a record of the disposal proceeds to apply to the replacement asset. Often replacement assets (with the credit for the trade in) are less than the threshold dollar amount and are not capitalized leaving the department at a loss as what to do about their inventory listing. Another scenario is that the traded in asset is on the system as well as the new purchase. This "double booking" overstates a company's worth and is illegal.

Assets that are located at off campus sites are often missed during inventory and may cause reconciliation

issues. A process to not only catch these assets but then to verify and update them takes extra effort to coordinate. The return to campus or disposal of off campus assets must be documented and verified as well.

Software creates another area of specialized procedure. To assure the accurate capitalization of software you must have a procedure in place and follow that procedure. At UAB we capitalize software >5000. When a check is cut for the capital software the PIO makes a call to the user department. He verifies the receipt of the software, whether it is up and running and whether it is installed in one server or many computers. This is an excellent opportunity to inquire as to the disposition of any old software. If the old software was scrapped or taken out of service this is the time to delete it from the system and avoid overstating your worth.

At this time you can also verify other software related assets such as: computers or servers running the software or PC's related to that software.

Valid Disposals vs Unacceptable Disposals (lost assets)

Equipment must be tracked throughout its life. This is sometimes past the useful life set for this asset. We call it cradle to grave tracking.

To be removed from our Equipment Accounting System the asset must be disposed of by one of our designated methods. The methods for legal disposition are: surplus, trade in, swapped with vender, sold at bid, cannibalized, transferred to another state entity, or sold at public auction. Other acceptable deletion codes are reduced- set up in error, deleted- not ours, stolen (with a valid police report) or deleted from lost status.

Unless the equipment meets valid criteria it will remain on the inventory for the department to reconcile.

The End of the Inventory Cycle

UAB has a perpetual 2-year rotating inventory. What this means is that we are constantly in inventory. We have a principle schedule that spans a two-year period. This schedule allows us to cycle in and out of buildings and departments easily and to spend more or less time as needed in each area.

Our teams work to locate and tag new equipment and locate and scan current inventory. We utilize many different methods of inventory to create an overall system that works for all of the departments, the state regulations and our own schedules that may include time outs for auction and specialized inventories. The overall goal is to create a department reconciliation that has a balance of zero lost assets. Finding department's lost assets is a victory that each inventory officer is proud of.

When audited by state or federal entities, clean-signed reconciliations are the proof that our system works. ♦