



Chapter Seven

Physical Inventory

Sections in this Chapter

Overview	1
Inventory Frequency and Schedule	2
Inventory Methodology	3
Inventory of Government Owned or Furnished Material (GFM)	4
Inventory of “untaggable” property	4
Personally Owned Property	4
Reconciliation and Adjustments	5
Inventory Results and Reports	6
DPA Preparation for Inventory	6
Pre-Inventory Meeting – A Key to a Successful Inventory	7
References and Resources	9

Overview

Physical inventories of property are conducted at Stanford to verify the accuracy of the property records in Sunflower Assets (SFA) and the PMO Material Tracking System as well as the existence and activity status of the assets. Results of an inventory provide an excellent overall assessment of the effectiveness of the property management system at the university and the level of compliance with established policies and procedures. Data is used in various management reports, including financial statements, ONR and sponsor reports, and data presented to the Board of Trustees.

A biennial physical inventory is conducted and reconciled on a campus-wide cyclical basis. The biennial period is a two-year period with beginning and end dates coinciding with the fiscal year calendar. In addition, special inventories are also conducted either at the close of a contract or as otherwise required by the accountable department or owning sponsor.

Planning, performing, and reconciling the inventory is a team effort. Key personnel involved are the Property Management Office (PMO) Physical Inventory Group and the Property Service Representatives (PSRs), Department Property Administrators (DPAs), Principal Investigators (PIs), and asset custodians or users. Depending on the department and the location or type of property being inventoried, other personnel may be involved.

Specific performance objectives and goals are defined in the operational instructions for the physical inventory. They are defined at the beginning of each biennial inventory cycle or at the beginning of each special inventory and are made available at the pre-inventory planning meetings.

When a DPA maintains good property management practices on a routine basis, the physical inventory is truly a matter of verification and should pose little stress or inconvenience on the department. Good property management practices, considered routine in the day-to-day operations of a department, include but are not limited to:

- Tagging and recording in SFA all capital, sponsor-owned, donated or leased property within 14 days of acquisition
- Non-capital overlay tags are placed on non-capital equipment
 - At the Department's discretion, tagging and recording non-capital **Sensitive Property** to facilitate basic tracking and correct disposal processing
- SFA records are updated with new locations, custodians, and use status
- [Off-Campus Equipment Verification forms](#) are filled out and updated annually
- [Excess requests](#) are processed via SFA on a timely basis

These tasks should not be rushed through in the few weeks prior to the inventory, and are not performed just "to pass the inventory".

Inventory Frequency and Schedule

Stanford is required to conduct a biennial Physical Inventory of its capital equipment and sponsor-owned property. This two-year cycle coincides with Stanford's fiscal year (9/1/xx – 8/31/xx), for example, the current period for the biennial inventory cycle is September 1, 2003 – August 31, 2005. In addition, special inventories may be conducted throughout the year for various purposes such as the verification of stockroom parts, a final inventory at the close of a contract; to update locations in SFA due to organizational changes or physical movement, or to inventory equipment at a subrecipient facility.

Developing and managing the schedule for physical inventories is the responsibility of the PMO Physical Inventory Administrator. The inventory schedule is [available on the web](#); take a minute to verify your department's schedule!

Inventory Methodology

Physical inventories are primarily done on a 100%, wall-to-wall basis for assets meeting the criteria listed below. For the biennial cycle 2003-2005, the wall-to-wall method will be utilized. With specific approval from the Director of the Property Management Office, alternate methods such as sample inventories may be used for special inventories.

The base records for the biennial physical inventory are derived from records in Sunflower Assets and the PMO Materials Tracking System. At least one of the following criteria must be met for assets to be included in the physical verification and reconciliation during the biennial physical inventory:

1. All sponsor-owned property (equipment or material)
2. Stanford-owned capital equipment having a remaining net book value greater than “zero”
(Note, capital equipment having a remaining net book value of “zero” will be inventoried if encountered, but reconciliation is not mandatory and the results will not be included in the reports for the biennial inventory.)
3. Leased or loaned property for which Stanford University is accountable

In addition to the assets described above, the Sunflower database also holds many records for property accountable to Stanford University – assets that each department elects to record and track to facilitate life-cycle management, enable more effective replacement planning, or sensitive items that need to be disposed of through the Sunflower excess request process or with Environmental Health and Safety’s recycling program. These assets will be inventoried if encountered; however, reconciliation and resolution to missing items in this category is completely the responsibility of the accountable department or their DPA. Inventory results for assets in this category are provided as administrative information only and may be used for trends analysis; they will not be included in the results of the biennial inventories.

The Physical Inventory Group, with participation from the DPA, conducts the inventory. Each asset physically verified during the inventory is marked with an inventory decal. Preliminary results are reported to the Property Service Representative (PSR) and the DPA within 3-5 business days after the completion of the initial sweep through the department or designated area. The DPA will be informed of any discrepancies and is responsible for providing resolution to each item listed. PMO will make adjustments to the records if necessary, and take appropriate actions with the sponsor.

Verification of the existence and accountability of the property is done through one of the following methods:

- For equipment, electronic scanning of the barcode decal or barcode number and physical verification of specific attributes (see below).
 - For government-owned or furnished material, quantities are verified in a method appropriate to the type of material.
 - Review and data entry from a valid off-campus worksheet (must have been updated within twelve (12) months of the inventory date), sign-out logs, or DD 1149 forms.
 - Documentation in “untaggable” binder/file
 - Other acceptable transaction supporting documentation, as agreed to between the DPA, the Property Service Representative, and the Physical Inventory Group.
- Attributes verified and reconciled to the property record include (at a minimum):
- Equipment barcode number or material part number
 - Sponsor ID number, where applicable
 - Description

- Manufacturer
- Model Number
- Serial Number
- Location
- Use Status
- Condition

Inventory of Government owned or furnished material (GFM)

A physical inventory of GFM accountable to sponsored projects is conducted biennially using the methodology discussed above. It is performed within the period of time allotted for the biennial inventory for equipment on the project, unless otherwise required by the sponsor or the circumstances.

Material items are not usually bar-coded. Quantities are verified in a method appropriate to the type of material. The inventory of GFM is limited to the balance on hand items. Records for material will be maintained by a departmental representative in the PMO Material Tracking Database, unless otherwise authorized by the Office of Naval Research or the Sponsor. (See Records chapter).

Inventory of Government owned or furnished property at subcontractor facilities

Government-owned property at subcontractor facilities, for which Stanford University is ultimately accountable, must also be inventoried in sync with the biennial inventory schedule, or as otherwise required by the accountable sponsored project. PMO will work closely with the DPA and subcontractor to ensure the inventory is completed and reported as required by the sponsor requirements.

Inventory of “untaggable” property

Untaggable assets (See Identification chapter) that meet the eligibility criteria discussed above are also subject to verification during the physical inventory. Specific methodology is defined in the operating instructions used by the Physical Inventory Group and is reviewed during the pre-inventory meetings.

Personally Owned Property

We recommend that staff members who have personal property on campus clearly identify on the equipment that it is not Stanford property and who it is owned by, including a contact phone number. This will make the inventory process easier and eliminate the mistake of the equipment being inventoried. The University does not provide insurance coverage for personal property of faculty, staff or students; see [Administrative Guide Memo 28.5](#).

Reconciliation and Adjustments

The results of each inventory must be reconciled, posted to the respective property record, and reported. Within 3-5 days after the completion of the initial sweep through a department or designated area, preliminary inventory results are provided by the Physical Inventory Group to the DPA and PSR. This hand-off initiates the 30-day reconciliation period during which a resolution will need to be provided for all “open” or “unfound” assets on the listing. Extensions to the reconciliation period are granted on an exception basis only and must be requested in writing by the DPA or their supervisor to the Director of the Property Management Office within 5 working days of the receipt of the preliminary report. The request must include the following information:

- Inventory Name
- Original reconciliation due date
- Requested extension period
- Reason for extension

The PSR provides guidance to the DPA in prioritizing the reconciliation process and defining acceptable documentation, as needed. The DPA is responsible for providing final resolution to each noted discrepancy. All property on record must be accounted for. Items found during the physical inventory period that were not on record are considered to be potential “adds” and must be resolved during the 30 day reconciliation period. Each asset verified has an inventory posting reflected on the property record.

Every effort must be made to locate items not found during the initial sweep. For areas having sponsor-owned property, the Principal Investigator should provide support and assist in communicating the need to locate or otherwise account for the missing items. Items located by the DPA or department staff must be scanned or physically verified by the Physical Inventory Group. Appointments can be scheduled by calling ext. 3-9004. For items not found or accounted for during the reconciliation period, the PI must provide a written confirmation to the PMO of the efforts made to locate the assets and the potential circumstances leading to the items being missing.

Inventory results for all sponsor-owned property is reported to the sponsoring agency by the PMO within 30 days of completing the reconciliation for the inventory in accordance with the appropriate sponsor/government regulations. This information is reported on an award-by-award basis and will also including details on any sponsor-owned property not found during a biennial or special inventory. (See details in the [Disposal Chapter](#)) The records are adjusted in accordance with the instructions provided by the sponsor. If in the future the item is located, the DPA must inform the PMO to reinstate the record and notify the sponsor.

At the completion of the biennial inventory cycle, the PMO assigns each item of Stanford-owned property not located a resolution of “missing during XX biennial inventory” in the Sunflower record. The activity status is “inactive”; however, they are not “retired” in either the Sunflower record or Oracle Fixed Assets unless not found during two consecutive biennial inventory cycles. Stanford-owned assets retired as a result of not being found during physical inventories and subsequently found are reviewed for potential reactivation; sponsor-owned assets are reactivated and the sponsor notified.

Inventory Results and Reports

Results of a physical inventory are posted to the property record and reports are generated within 30 days after the completion of the reconciliation period. After analyzing the results for each inventory, corrective actions for property administration practices may apply and the PSR for that group, along with the PMO Director, will work with each area to correct these problems. Positive recognition is given to those DPAs and areas that meet the performance objectives in an inventory.

Report distribution may include, but is not limited to, the following:

- Accountable department
- Principal Investigator (where applicable)
- Sponsor or cognizant agency
- Controller’s Office
- Dean or equivalent area Vice President
- Associate VP for Research Administration
- Risk Management, as appropriate
- Stanford Police Department (missing items only)
- PMO physical inventory file

Content and format of reports may vary, depending on the needs of the receiving department, the sponsor, or the cognizant agency. Almost exclusively, reports of physical inventory for property accountable to federal contracts are reported on an award-by-award basis. Additional details on inventory reporting may be found in the [Reports Chapter](#) of this manual.

DPA Preparation for Inventory

As with most tasks, preparation is a key factor to success of the inventory. If departments follow a few routine steps, the inventory should move very smoothly with few errors. To prepare, Department Property Administrators (DPAs) should follow the checklist on the PMO website - information is repeated here for your convenience (these tasks should be performed as a matter of routine, not just prior to the inventory).

Also, performing these tasks on a regular basis and ensuring they are completed prior to the inventory will directly impact how simple or difficult your inventory reconciliation will be:

- Identify Assets (for details on the various tags and overlays, and their appropriate use, check the [PMO Website](#))
- Add new and donated assets (over \$5,000) as well as sponsor-funded assets into SFA or the PMO Material Tracking System, as applicable
- Tag (with a non-capital overlay sticker) any Stanford-owned asset costing less than \$5,000
- Identify non-Stanford assets (including employee-owned assets) with the Green "Non-Stanford Asset" overlay or some other identifying marking (Call the PMO to order more 3-9004)
- Ensure fabrication components have been identified with a yellow fabrication sticker
- Ensure all assets requiring additional identification (e.g.: donation, government asset, etc.) have been labeled with the appropriate overlay or strip
- Ensure all assets located off campus are identified on "[Off Campus Equipment Verification Worksheets](#)"
 - Ensure all Off Campus Worksheets have been updated and signed by the DPA within the last 12 months
- Identify untaggable assets
 - Ensure all SFA records correctly identify whether or not an asset is untaggable
 - Ensure your "Untaggable Assets" binder or folder has been updated (all new untaggable assets have had a barcode tag affixed and are in the binder, and any assets on disposal have been removed from the binder)
- Post excess items on the [interdepartment-market bulletin board](#) and initiate a SFA Excess Request (ER) for any assets that are not requested for reutilization by another department. If another department will reutilize them, process accountability transfers prior to the physical inventory.

Pre-Inventory Meeting – A Key to a Successful Inventory

As the next inventory cycle begins, a Physical Inventory staff member will contact the DPA to schedule a Pre-Inventory Meeting. During this session, the Physical Inventory procedures, ground rules and schedules are finalized in cooperation with local department representatives. The meeting usually takes place 2-4 weeks prior to the actual inventory activities. Attendees at the Pre-Inventory Interview may vary by school or department, but following are the participants who should attend:

- From PMO:
 - The Inventory Administrator (or designated alternate)
 - Inventory Analysts/Specialists (as appropriate)
 - The Property Service Representative (PSR)

- From the Department:
 - The DPA
 - The Department Chair or a Senior Administrative Manager
 - Inventory Escorts (people who will walk through the space with the inventory team; this could be administrative personnel, lab managers, other staff members, or students)

A few weeks prior to the inventory, the DPA should:

- Notify the Dean or Area Director, colleagues, associates, fellow staff and faculty members of planned inventory dates. Methods to accomplish this include email announcements, presentations at local staff meetings, and posting of information in labs/department areas (samples can be [found on the website](#))
- Ensure the untaggable assets file is up-to-date and readily available for the inventory team
- Identify all locations of the Department's assets (including offices, storage areas, labs, off-Campus sites, etc.)
- Collect and have copies available of the "[Stanford Off Campus Equipment Verification Worksheets](#)" forms for inventory purposes. Ensure these forms have been updated and signed by the DPA within the past 12 months.
- Obtain (have available) current floor plans for all areas to be inventoried. Ensure the Space Coordinator has updated all building space changes in the [FAMIS](#) database prior to inventory visit. Check the [Facilities Website](#) for maps and floor plans.
- Identify areas within your department that need special attention or precautions, such as:
 - Lab areas
 - Clean Rooms
 - Confined spaces
 - Patient treatment areas
 - Radiation zones
 - Biohazard areas

The week immediately preceding the physical inventory, the DPA should:

- Remind colleagues, associates, fellow staff and faculty members of planned inventory dates
- Advise colleagues, associates, fellow staff and faculty members to prominently label all personal items (may use the green "Non-Stanford Asset" overlay)
- Arrange for escorts with the necessary keys, door codes, etc. to accompany inventory takers on pre-scheduled inventory day(s)
- Post notices in all areas scheduled for inventory ([See samples on the web](#))
- Ensure property records are updated – newly received property is tagged and recorded, location/condition/status information is current, and asset custodians are correct.

References and Resources

- [PSR Contact List](#)
- [Inventory Group Contact List](#)
- [Stanford Off-Campus Equipment Verification Worksheet](#)
- [Link to Inventory Page on Web](#)
- [Inventory Schedule](#)
- [Tag Chart](#)