16.1. INVENTORY CONTROL AND PROPERTY MANAGEMENT OVERVIEW

**A. Introduction**

Inventory Services is responsible for maintaining adequate controls over personal property for The University of Texas at Austin. Inventory Services also assists with accounting for inventory-related items, year-end reporting to regulatory bodies, and preparing related financial reports for internal and external reviewers.

The [Executive Director of Accounting and Financial Management](https://directory.utexas.edu/advanced.php?aq%5BName%5D=Lori+Peterson&aq%5BCollege%2FDepartment%5D=&aq%5BTitle%5D=Executive+Director+for+Accounting+and+Financial+Management&aq%5BEmail%5D=&aq%5BHome+Phone%5D=&aq%5BOffice+Phone%5D=&scope=all) is the president's designated property manager for the university with theInventory Services**finance manager** listed as the alternate property manager. The property manager is required by **Texas State Government Code 403.2715** to maintain property records and to be the custodian of all property possessed by the university.

University unit administrators are responsible for all personal property in their care in accordance with established inventory policies and procedures. They are also responsible for ensuring that the annual physical inventory of property assigned to their department is completed each year. The annual physical inventory process and timeline are prescribed by Texas state law and are administered by the property manager. Refer to Texas State Government Code Chapters [403.272](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.403.htm#403.272), [403.273](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.403.htm#403.273),[403.275](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.403.htm#403.275), and [403.278](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.403.htm%22%20%5Cl%20%22403.278) for the state’s requirements of a property manager.

**B. Inventory Definitions**

[Capitalized assets](http://texreg.sos.state.tx.us/public/readtac%24ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=5&rl=200) are capital assets that have a value equal to or greater than the capitalization threshold established for a given asset type.

[Controlled assets](http://texreg.sos.state.tx.us/public/readtac%24ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=5&rl=200) are assets the state has determined to be at a high loss risk and need to be secured and tracked because of the nature of their possession. The term does not include capitalized assets, real property, improvements to real property, or infrastructure.

[Government-Furnished Property (Equipment) (GFE)](http://acqnotes.com/acqnote/careerfields/government-furnished-equipment-gfe) means property in the possession of or directly acquired by the government and subsequently furnished to the contractor for the performance of a contract.

Federally-owned property or U.S. Government-Owned property is equipment purchased with federal funds whose contract or grant rules stipulate ownership vests with the sponsoring U.S. Government agency. A Property of U.S. Government tag must be affixed in conjunction with a UT barcode tag within ten (10) business days of receipt for any assets that meet controlled or capital thresholds.

Departments that have prime contracts and award subcontracts shall make sure that they comply with Federal Acquisition Regulation (FAR) clause [52.245-1 (f)(1)(v),](https://www.acquisition.gov/far/52.245-1) “The Contractor shall award subcontracts that clearly identify items to be provided and the extent of any restrictions or limitations on their use. The Contractor shall ensure appropriate flow down of contract terms and conditions (e.g., extent of liability for loss of Government property.”

Departments must inform Inventory Services about any federally-owned or government-owned property that will revert to the sponsoring agency at the end of the award/contract, including fabrication of equipment, within ten (10) business days of receipt. These properties will have a separate designation for financial reporting purposes.

Fabricated equipment is defined as a unique one-of-a-kind item built or assembled from individual parts or materials by or under the direction of university personnel.

All assets, including GFE, follow the capitalization and controlled asset threshold outlined in the [State Property Accounting (SPA) Process User’s Guide](https://fmx.cpa.state.tx.us/fmx/pubs/spaproc/index.php). Additionally, GFE and government-owned property must satisfy the rules and regulations outlined in [FAR 52.245-1](https://www.acquisition.gov/far/52.245-1).

Capital, controlled, federally-owned assets, GFE, and fabricated equipment are placed in the university's inventory system as they are acquired and accounted for yearly by a physical inventory. New acquisitions that do not meet the criteria for capital or controlled are considered expensed items. Department heads are responsible for the custody, safekeeping, and proper use of expensed items in addition to their department’s assets.

Cannibalization is the removal or exchange of parts or assemblies from an item of equipment to replace a damaged or worn-out part or assembly of another item of equipment.

**C. Accountability and Responsibility for Property in The University's Possession**

University property is state property and may be used for official purposes only. Federally-owned property is property of the United States government and must only be used for approved purposes. Privately-owned property belongs to a private entity and must be treated as agreed upon between the donor and the university.

The president of the university has assigned the responsibility of inventory custodian for property accountability to each respective department head. The unit administrator or custodian may delegate the responsibility for the proper care, maintenance, and safekeeping of property assigned to their custody. To ensure adequate separation of duties, a non-custodian or inventory contact must be appointed to assist the unit administrator in fulfilling their responsibilities regarding inventory. Unit administrators must establish internal controls that ensure the following:

Assets are kept physically secure at all times.

* Capitalized and controlled equipment is tagged with a university barcode tag, and federal equipment is additionally tagged with a federal tag for identification and tracking purposes.
* Inventory is taken periodically with documented changes – e.g., location, barcode, condition, etc. – reconciliation, and annual physical inventory certification.
* All Inventory Services policies and procedures are followed and adapted as appropriate to meet each department’s needs.

**D. Inventory Training**

* All PIs with federal grants, contracts, or funding and/or fabrication in progress will need to complete mandatory pre-recorded inventory training annually.
	+ Some of the topics covered in the training module include.
		- Importance of inventory management
		- Rules regarding the sale of equipment
		- Rules regarding moving/transferring equipment to another university
		- Fabrication of equipment
		- Inventory property and non-inventoried property rules before retirement
* Departmental inventory contacts will have to complete mandatory pre-recorded inventory training on an annual basis
	+ Some of the topics covered in the training module include.
		- Importance of inventory management
		- Inventory asset criteria, Capital vs. Controlled
		- Tagging of inventory items
		- Virtual numbers
		- Annual Inventory Certification process
		- Transfer/removal of inventory items

Inventory training is also available on an appointment basis currently. To schedule an appointment with inventory personnel, inventory contacts should email INVGeneral@austin.utexas.edu. The [Inventory Services Website](https://afm.utexas.edu/inventory-services) contains information on various inventory procedures, answers to frequently asked questions, and relevant inventory-related templates.