

**RESOLUTION ARB2015-0006**

*Approval of Inventory Policy*

Whereas, County entities may adopt, amend, rescind, and administer rules on matters within their respective jurisdictions, as established by the County Charter, the County Code, or general law; and

Whereas, Section 205.09(A) of the Cuyahoga County Code establishes the Cuyahoga County Administrative Rules Board; and

Whereas, per Section 113.02(A) of the Cuyahoga County Code, a county entity seeking to adopt, amend, or rescind a rule shall submit a request, including the specific language of the rule, to the Clerk of the Administrative Rules Board in accordance with the procedures and deadlines established by the Board for such submissions; and

Whereas, per Section 113.02(G) of the Cuyahoga County Code, the Administrative Rules Board is given approval authority over rules promulgated by County entities based on a determination of: (1) whether the requesting entity has the authority to adopt, amend, or rescind the rule and (2) whether the proposed rule conflicts with the County Code; and

Whereas, the Fiscal Office administers an Inventory Policy;

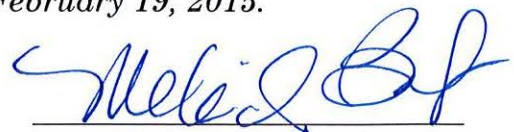
**NOW, THEREFORE, BE IT RESOLVED BY THE ADMINISTRATIVE RULES BOARD OF CUYAHOGA COUNTY, OHIO:**

**Section 1.** The Inventory Policy, as attached, is hereby enacted as part of the Cuyahoga County Administrative Code.

**Section 2.** This Resolution shall go into immediate effect and remain in full force and effect until November 19, 2015.

**Section 3.** It is found and determined that all formal actions of this Board concerning and relating to the passage of this Resolution were passed in an open meeting of this Board and that all deliberations of this Board that resulted in such formal actions were in meetings open to the public and in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

*The foregoing resolution was duly adopted on February 19, 2015.*



*Clerk of the Board*

# Inventory Policy



Fiscal Office

# Cuyahoga County Inventory Policy

The purpose of this policy is to summarize the policies and procedures for Cuyahoga County (the County) for assets that do not meet the capitalization criteria listed in the **Capital Assets Policy** and are not held for resale. The policy encompasses all County assets that do not meet the capitalization criteria, including those recorded in Proprietary funds and non IT assets<sup>1</sup> held by agencies that have their own governing board. It does not include entities in which the County acts as fiscal agent (e.g. Cuyahoga County Board of Health, Cuyahoga County Soil and Water Conservation District).

## **Recording Value**

### ***Inventory Definition and Threshold***

For the purpose of this policy “Inventory” will be used to define tangible or intangible items held by the County that are used in operations. These items would qualify as capital assets; however, they do **not** meet the capitalization criteria listed in the **Capital Assets Policy**. Inventory will meet the following criteria.

<b>Inventory Type</b>	<b>Inventory Threshold</b>
Machinery and Equipment (excluding IT equipment)	\$1,000 - \$9,999 and a useful life longer than 5 years <b>–OR–</b> >\$10,000 and a useful life from 1-5 years.
Vehicles	\$1,000 - \$9,999 and a useful life longer than 5 years <b>–OR–</b> >\$10,000 and a useful life from 1-5 years.
IT Equipment	\$500 - \$9,999 and a useful life longer than 3 years <b>–OR–</b> >\$10,000 and a useful life from 1-5 years.

### ***Initial Cost***

Inventory items will be recorded at their historical cost which equals the purchase price (net of discount, if applicable) plus taxes, fees, freight, assembly, special fittings and all other ancillary and incidental expenditures necessary until the item is ready for its intended or final use.

Ancillary expenditures are costs necessary to place an item into its intended location and prepare it for use. They include costs that are directly attributable to the item’s acquisition, such as site preparation costs and professional fees.

Inventory thresholds will be applied to individual items if the item is individually identifiable. If items are not individually identifiable they may be recorded in aggregate. Example: 50 chairs are purchased at \$100 each. In total the purchase of \$5,000 is above the inventory threshold. However, each chair is individually identifiable and each individual chair is under the inventory threshold, so no chairs would be tracked in the inventory system.

If an item is traded in as part of the purchase for a new item, the new item will include the value of the traded in item in addition to any other monetary consideration paid.



# Cuyahoga County Inventory Policy

Inventory items purchased for a nominal amount (i.e., an amount significantly lower than the expected fair market value) will be recorded at the estimated fair market value of the item at the time purchased.

## ***Costs Subsequent to Acquisition***

Costs subsequent to acquisition can be classified into the following categories:

- **Improvements and Additions** – costs that expand an item’s capacity or extend its useful life. (e.g., overhaul of engine, complete exterior body paint applied)
- **Repairs and Maintenance** – recurring costs that do not extend the item’s original useful life or expand its capacity. (e.g., oil change, battery replacement)

Accordingly, it is the County’s policy to add Improvements and Additions costs to the costs of the inventory item if they meet the inventory threshold. Repairs and Maintenance costs will be expensed and not added to the cost of the inventory item. In the case of inventory item replacements, the original cost of the item will be removed and replaced with the cost of the replacement item.

If an improvement or addition makes the cost of the item in excess of the capitalization threshold in the **Capital Assets Policy**, the item will not be capitalized because depreciation expenses would likely lower the item’s net cost below the capitalization threshold.

## ***Donated Inventory Items***

Donated inventory items, including confiscated items, will be reported at estimated fair value when donated. Fair value is defined as the amount at which the item could be exchanged in a current transaction between willing parties, other than in forced or liquidation sale. Catalogs, periodicals, appraisals and recent sales of comparable items can be used to estimate fair value.

## ***Items Less than Inventory Threshold***

The County will frequently incur costs to acquire items on behalf of other governmental agencies. The items are not retained by the County after acquisition. These expenditures will not be tracked in the inventory system.

Any item that does not meet the capital asset or inventory thresholds will be considered as “Supplies.” Items classified as supplies will not be maintained in the County’s capital asset system or inventory system. An agency shall establish controls and procedures over supplies to minimize the risk of theft. Each agency will determine the best method of tracking and monitoring supplies. It is recommended supplies be tagged with security “Property of Cuyahoga County” tags.

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<sup>1</sup> Agencies that have their own governing board and maintain their own IT department may adopt a separate inventory policy or may follow the County-wide policy.

## **Inventory Accounting and Reporting**

### ***Purpose***

Maintaining complete and accurate accounting for inventory is essential to the protective custody of the County's property. The amount of inventory owned by the County is large. The responsibility of stewardship involved in safeguarding such a large public investment is of utmost importance to sound financial administration. This responsibility can be discharged effectively only through a system of accounting which facilitates overall control and custody of the County's property, permits the assignment of direct responsibility for custody and proper use of specific items to individual supervisors, and provides data essential to the proper management of inventory.

### ***Definitions***

#### **Machinery and Equipment**

All moveable equipment, except for vehicles, which has an original cost between \$1,000 and \$9,999 and a useful life of at least five years when purchased –OR– which has an original cost of \$10,000 or greater and a useful life from 1-5 years when purchased (e.g., mowers, furniture).

#### **Vehicles**

Equipment that is registered with the State of Ohio for operation on roads or waterways, has an original cost between \$1,000 and \$9,999 and a useful life of at least five years when purchased –OR– which has an original cost of \$10,000 or greater and a useful life from 1-5 years when purchased (e.g., trailers, cars, trucks, boats).

#### **IT Equipment**

Computer and/or technology equipment purchased and/or approved by DoIT<sup>2</sup> or agency's IT Department, which has an original cost between \$500 and \$9,999 and a useful life of at least three years when purchased –OR– which has an original cost of \$10,000 or greater and a useful life from 1-5 years when purchased (e.g., computers, servers).

### ***Reporting Requirements***

#### **Tracking**

It will be the responsibility of the agency in charge of the inventory item to ensure it is entered into the inventory tracking system and any updates to the item are properly entered into the inventory tracking system.<sup>2</sup>

#### **Acquisition**

The agency that purchases or receives donated inventory items will be responsible for entering the item into the inventory tracking system at the initial cost. (See Initial Cost above.)

#### **Tagging**

Uniquely identified tags must be applied by the acquiring agency to all machinery and equipment and IT equipment meeting the inventory threshold criteria.



# Cuyahoga County Inventory Policy

## **Donated Items**

Donated items will be assigned an estimated cost based on the current market value of the item. If an agency receives a donated item they should determine the current market value of the item using the information above in Donated Inventory Items. That agency should then enter the item into the inventory tracking system using the estimated current market value amount.

## **Changes**

Changes to inventory will occur from time to time if more accurate information regarding an item becomes available. Changes can include but are not limited to:

- Corrections
- Tag number change or replacement
- Correction of description, serial number or model number
- Useful life change
- Correction of cost (A correction to an item's cost should be approved by the Agency Director and should be separately documented for auditing purposes.)

## **Transfers**

If an item is transferred from one location to another, the agency must update the inventory system. If an item is transferred between two different agencies, the agency receiving the item must update the inventory system with the new agency and location when the asset is received.

## **Disposals**

Items sold, traded in, scrapped, recycled or in any way permanently removed from service will be removed from the inventory system. See the Disposal of Inventory Items section.

## **Depreciation**

Inventory items will not be depreciated.

## **Physical Inventory**

Ohio Revised Code (ORC) Section 305.18 states, "Each county officer or department head shall make an inventory, on the second Monday in January of each year, of all the materials, machinery, tools, and other county supplies under the jurisdiction of such county officer or department head." In order to meet the requirements of the ORC, each agency should obtain a list of inventory items assigned to them in the inventory system. The agency should then verify the information in the inventory system for all items assigned to them. The system should be updated for any changes. An updated list that was verified by the agency should be signed by the responsible party and then sent to the Fiscal Department for retention. Physical inventories will be subject to audits by the Internal Audit Department and the County's external auditors.

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<sup>2</sup> Currently, DoIT is only responsible for IT equipment purchased for agencies that report to the County Executive.

# Cuyahoga County Inventory Policy

## ***Impairment***

An inventory item is determined to be impaired if there is a significant, unexpected and permanent decline in the functionality of an item. An impairment is considered significant if all of the costs to repair and maintain the item are considerable compared to its current functionality. Due to the lower dollar amount of an inventory item, if an item is determined to be impaired the agency may either retain the item at the original cost or dispose of it using one of the methods in the Disposal of Inventory Items section. If an item is repaired due to an impairment, the cost of the repair will not be added to the item.

## **Disposal of Inventory Items**

It is a major initiative of Cuyahoga County to reduce its carbon footprint. As such, every effort will be taken to ensure disposed inventory items remain out of landfills.

An inventory item may be considered for disposal for any of the following reasons (this list is not all inclusive):

- Obsolete
- Lost or stolen
- Public safety hazard
- No longer usable for intended purpose

It is in the County's best interest that a County employee may not take ownership or personally profit from the disposal of an inventory item. Therefore, no employee has singular authority to dispose of inventory items without the proper approvals. It is also the County's policy that employees are prohibited from purchasing County inventory items that are disposed.

## ***Types of Disposal Methods***

The Department of Public Works will oversee the disposal of all County inventory items. The disposal of all items will be done in accordance with Executive Order O2012-0001 and the Contracting and Purchasing Procedures Ordinance. If, after a time, an item cannot be disposed utilizing a certain category, it may be re-categorized to a different category for disposal.

## **Reuse**

These inventory items still have a useable life, but are no longer needed by the responsible agency. The Department of Public Works will determine if another agency may still have use for these items. If another agency takes possession of an item through reuse, the new agency will be responsible for ensuring the item is reflected on their physical inventory in the inventory system.

## **Remanufacture/Recycle**

These inventory items may still have a useable life but are no longer needed by the County. The Department of Public Works will solicit bids from remanufacturers/recyclers. Additional consideration may be given to charitable remanufacturers that recondition equipment for charitable purposes in the local community.



# Cuyahoga County Inventory Policy

## **Auction**

These inventory items may still have a useable life but are no longer needed by the County. The Department of Public Works will determine if the item will be auctioned and what type of auction (live auction or internet auction) will provide the best opportunity for the County. Public Works will determine a minimum bid for all items in this category. The auction will be done in conjunction with the Office of Procurement and Diversity. Inventory items will be sold “as is” and the County will not be responsible for any item that may be malfunctioning or inoperative. No warranty, either expressed or implied, will be associated with items that are sold via auction.

## **Donate**

These inventory items may still have a useable life but are no longer needed by the County. The items may be donated to a qualified charitable organization or non-profit. Inventory items will be donated “as is” and the County will not be responsible for any items that may be malfunctioning or inoperative. No warranty, either expressed or implied, will be associated with items that are donated.

## **Public Use**

These inventory items may still have a useable life but are no longer needed by the County. At the discretion of Public Works the item may be offered to the public free of charge. Inventory items will be offered “as is” and the County will not be responsible for any item that may be malfunctioning or inoperative. No warranty, either expressed or implied, will be associated with items that are offered to the public.

## **Scrap/Trash**

These inventory items have no remaining useful life or are deemed unsafe or dangerous. The Department of Public Works will ensure the item is properly disposed or scrapped. They will make every effort to transfer scrap items to the nearest qualified recycling plant that meets the needs of the County.

## **Trade-In**

These inventory items will be utilized as part of the procurement of a new County inventory item. Trade-ins will be coordinated with the Office of Procurement and Diversity. The value of a trade-in shall be a line item on the quote for a new inventory item when presented to the Contract and Purchasing Board (if applicable). No warranty, either expressed or implied, will be associated with items that are traded in.

## **Lost/Stolen**

If an inventory item is lost or stolen, protective services must be notified and the proper procedure followed. The agency should retain a copy of the incident report.

## ***Disposal of IT Equipment***

IT Equipment will be disposed using one of the Types of Disposal Methods described above. However, DoIT or an agency’s IT Department may facilitate the disposal instead of Public Works.

## ***Disposal of Confiscated Items***

Confiscated items will be disposed using one of the Types of Disposal Methods described above. However, the Sheriff’s Office may facilitate the disposal instead of Public Works.



# Cuyahoga County Inventory Policy

## ***Disposal of Supplies***

It is the responsibility of each agency to properly dispose of supplies. (See Items Less Than Inventory Threshold above for definition of supplies.) They may use one of the Types of Disposal Methods described above or develop their own procedures.