

 <p>HAWAII HEALTH SYSTEMS CORPORATION <i>"Touching Lives Everyday"</i></p> <p>Policies and Procedures</p>	Department: Corporate Finance	Policy No.: PUR 0009
	Issued by: Kelley Roberson COO & CFO	Revision No.: 1
Subject: <i>Corporate Office Material and Equipment Inventory and Disposal</i>	Approved by: Thomas M. Driskill, Jr. President & CEO	Effective Date: October 1, 2007
		Supersedes Policy: November 1 2006
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- I. **PURPOSE:** A procedure is necessary for the accountability of the Hawaii Health Systems Corporation (HHSC) assets and the disposition of used, outdated, and/or worn out material and equipment. This material or equipment is an accountable asset and must be disposed of in such a manner that will ensure a proper audit trail for auditors and/or investigators.
- II. **POLICY:** The HHSC Chief Executive Officer (CEO) shall establish an annual inventory and authorizes the disposition of material and equipment according to this policy and procedure. HHSC property is not "State Property" under the control of the State of Hawaii and HRS 103D Inventory provisions are generally not applicable. HHSC shall establish policies and procedures for inventory control and disposition as a matter of good business practice. The Regional System Boards shall establish their own inventory and disposition policy and procedure consistent with generally accepted accounting procedures.
- III. **PROCEDURE:**
- A. **Inventory:** Material and equipment in the HHSC corporate office will be inventoried on an annual basis as more fully outlined herein. This inventory will be the responsibility of the COO/CFO and conducted under his/her auspices. The COO/CFO may designate, in writing, a specific individual or position to be personally responsible for the property. A central master inventory list shall be maintained in the Finance Department as specified by the COO/CFO. The Corporate office will also maintain an inventory of all vehicles owned by HHSC on behalf of the Regions and the corporate office.

The designated individual, referred to as the Inventory Manager, shall maintain a copy of the master inventory listing and establish, maintain, and enforce written internal control procedures conforming to HHSC policies and procedures. Written procedures are to ensure that all employees are aware of proper handling of HHSC property. The designated Inventory Manager or his designee will implement the written procedure, which will include the following:

1. Assigning of responsibility, which includes providing name and position of personnel responsible for property at each location. This is usually the department head.
2. Recordkeeping of property which includes accounting for new purchase property, conducting of annual physical inventory, updating the master inventory listing, maintaining an accurate audit trail, and conducting internal audits.
3. The designated Inventory Manager will also assure proper usage of property, safekeeping of property, safeguards for property, and care and maintenance of property.
4. "Controlled property" includes items such as computers, laptops, and other I/T equipment regardless of dollar value. The corporate office shall establish, manage, and maintain a centralized property inventory record file for all equipment over \$5000, controlled property, and all real property. The file shall consist of the following information for each property item:
 - a. Individual responsible and department;
 - b. Physical location of property;
 - c. Type of property (includes land, building, improvement to land, vehicle, and equipment);
 - d. Description of property (includes land tax key, manufacturer, model, and serial number);
 - e. Date of acquisition;
 - f. Acquisition cost of property (includes donated and transferred property); and
 - g. Identification number.
5. Annual inventory:
 - a. The corporate office shall conduct an annual physical inventory of its possessions, control, and reconcile the inventoried list. The annual inventory shall be conducted by September 16 and reported to the COO/CFO.
 - b. Whenever there is a change of designated Inventory Manager or at the termination and closure of a facility under the control of the corporate office, the COO/CFO or his/her designee shall conduct an additional inventory.
 - c. Inventories should include the following:
 - (1) Description of equipment (acquisition value greater than \$5000.00 or controlled property);
 - (2) Location of equipment within the facility (hospital department);
 - (3) Acquisition cost (includes donated and transferred property);
 - (4) Serial number, if available;
 - (5) Make and model number;
 - (6) Year of acquisition;
 - (7) Equipment inventory decal number, if assigned; and
 - (8) Useful life.

B. Disposal: No HHSC corporate office property shall be sold, traded, destroyed, or otherwise disposed of except in accordance with the following rules:

1. No HHSC corporate office property may be given or loaned to an individual or non-governmental organization; however, HHSC may furnish State property to a private contractor or individual to facilitate the performance of a HHSC related service.
2. Approval for the disposal of controlled items and supplies shall be obtained from the Department Manager who utilizes the items. The Department Manager shall be responsible for maintaining adequate records to account for disposal.
3. Whenever a Department Manager desires to dispose of or remove any material or equipment from their inventory, they must submit a written disposal application to the COO/CFO or designee (see attached forms).
4. Surplus property shall be disposed of using one of the following methods:
 - a. Disposal by trade-in to a vendor for credit on an acquisition. Prior written approval from the COO/CFO or designee is required before an item can be disposed of by trade-in to a vendor for credit on an acquisition. The approval must be based upon a determination of urgency and trade-in value.
 - b. Facility transfer or interdepartmental transfers of equipment (still used by an HHSC facility).
 - c. Disposal by sale of property through competitive sealed bids.
 - d. Sale to dealers for recycling, salvaging, or scrap.
 - e. Sale to an employee, provided that no employee in HHSC be given any unfair advantage over another employee.
 - f. Other disposition methods include phone appraisal or barter, if disposing Department Manager makes a determination that it would be advantageous to the HHSC and receives written approval by the COO/CFO.
 - g. Donation to a non-profit tax-exempt charitable activity. Must have written justification by the COO/CFO.
 - h. Cannibalize the usable parts and destroy, dispose in trash bin, incinerator, or landfill.

C. Step One: Application. The disposal application shall be submitted by the Department Manager to the COO/CFO or designee. The custodian proposes the method of disposals that have been previously addressed.

Lost, stolen, or damaged items shall not be reported on the same disposal application with other equipment to be disposed of by choice but shall be reported separately. A number of items may be listed on the same application provided the circumstances surrounding the loss, theft, or damage is the same (see Report of Lost, Stolen, or Damaged Items attached).

D. Step Two: COO/CFO Evaluation. Upon receipt of the application, the COO/CFO shall evaluate the request and:

1. Ask for additional information;
2. Grant or deny the application; and/or
3. Direct disposition in another manner than requested on the application.

E. Step Three: Distribution. After being signed by the COO/CFO, all applications, except for lost, stolen, or damaged items, will be handled as follows:

The COO/CFO or his/her designee will assign a property disposal application number, and retain the original and distribute one copy of the approved property disposal application to the Department Manager. A disposal log with copies of all disposal documentation will be maintained at the Department level, and a master copy kept by the Inventory Manager.

F. Step Four: Disposal. Once approval is granted and a signed copy of the application is returned to the custodian, disposal is authorized at the department level. It also may be taken to an incinerator or landfill. The following steps will be adhered to:

1. Remove or obliterate any mark indicating State of Hawaii or HHSC ownership;
2. Destroy in such a manner that will prevent reuse; and
3. Department Manager will complete and return the Certificate of Disposal to the Inventory Manager for their records. These will be retained for audit purposes.

G. Vehicles. Vehicles are considered State Property and must be handled in accordance with State rules. Contact the Procurement Specialist, Exec. Director of Contract Management's office, HHSC Corporate Office, for assistance in registering titles, handling documentation when transferring or disposing of vehicles, obtaining insurance, and reconciling the vehicle inventory.

IV. APPLICABILITY: Property inventory and disposal provisions are applicable to the corporate office. The Regional System Boards shall adopt their own policies and procedures relating to inventory and disposal consistent with this policy. The Policy section and III.G relating to vehicles pertains to all HHSC vehicles, including those located in the regions.

V. REFERENCES: HRS 323F; **Vehicles Only:** HAR Title 3, Department of Accounting and General Services Subtitle 11 Procurement Policy Board Chapter 130; HAR Title 3 Chapter 61, Rules and Regulations Governing the Disposal of Property Owned by the State of Hawaii. HRS 103D-1202 Rules. Reference to Chapter 103D and implementing rules does not intend to waive any applicable exemption.

HAWAII HEALTH SYSTEMS CORPORATION

Property Disposal Application Number: _____

Date: _____

Property Disposal Application

Application is hereby made for the disposal of HHSC property under my custody and control. Pursuant to Hawaii Health Systems Corporation policies and procedures, I do solemnly swear and affirm the accuracy of this application.

**Department Manager's
Signature:** _____

**Department Manager's
Name:** _____

Official Position/Facility: _____

Phone Number/Fax: _____

- 1. Property Information** (as shown in the current inventory printout):

- 2. Present Condition and Estimated Value:**

- 3. Reason for Requesting Deletion or Disposal of Property:**

- 4. Proposed Method of Disposal with Detail** (policies and procedures). Detailed information required on this application varies with method of disposal selected.

COO/CFO: _____

Date: _____

PUR Form 009a 11/06

HAWAII HEALTH SYSTEMS CORPORATION

Date: _____

Report of Lost, Stolen, or Damaged Items

Application is hereby made for the disposal of HHSC property under my custody and control. Pursuant to Hawaii Health Systems Corporation policies and procedures, I do solemnly swear and affirm the accuracy of this application.

Department Manager's
Signature: _____

Department Manager's
Name: _____

Official Position/Facility: _____

Phone Number/Fax: _____

1. **Property Information** (as shown in the current inventory printout):

2. **Present Condition and Estimated Value:**

3. **Reasons for Requesting Deletion or Disposal of Property:**

4. **Date and Explanation of Circumstances of Loss, Theft, or Damage:**

5. **Applicant's Conclusion or Opinion as to the Cause of the Loss, Theft, or Damage:**

PUR 009b 11/06

HAWAII HEALTH SYSTEMS CORPORATION

Date: _____

Certificate of Disposal

This is to certify the disposal of HHSC property under my custody and control. Pursuant to Hawaii Health Systems Corporation policies and procedures, I do solemnly swear and affirm the accuracy of this certification.

Department Manager's
Signature: _____

Department Manager's
Name: _____

Official Position/Facility: _____

Phone Number/Fax: _____

1. Property Disposal Application No.:

2. Method/Location of Disposal:

3. Time and Date of Disposal:

Send original to the Inventory Manager; retain one copy for your records.

PUR Form 009c 11/06