



FIXED ASSET ACCOUNTING AND MANAGEMENT PROCEDURES MANUAL

SECTION 14

Physical Inventory

1 Purpose

The purpose of this section is to establish procedures for conducting and reporting the periodic physical inventory of departmental fixed assets and to ensure the accuracy of departmental fixed asset records.

2 Scope

City departments will maintain accountability for their equipment and establish current and accurate fixed asset physical inventory records by conducting physical inventories under the coordination of the Finance Department (FIN).

Annually, or at other intervals established by FIN, a complete physical inventory of all City fixed assets and controlled items will be conducted and the results reconciled with the asset records. Additionally, the Office of Management and Budget (OMB) *Circular A-102* (revised) requires that the City conduct a physical inventory of all grant or federally funded assets at least biennially. The inventory of grant funded assets will verify the existence, current use, and continued need for the property. These requirements will be achieved through adherence to the City's physical inventory policies, as outlined in this section.

3 Responsibilities

3.1 Departments and Department Fixed Asset Coordinators (DFACs)

- Coordinate the physical inventory with FIN to ensure that it is completed within the scheduled time frame.
- Conduct a thorough inventory in accordance with the Fixed Asset Management System (FAMS) procedures presented in this section.
- Reconcile any exceptions to ensure that the inventory result provides a complete accounting of all assets recorded in the department FAMS.
- Document the inventory results and forward a written report, signed by the department director, to the Director of The Finance Department, indicating completion of the inventory and any exceptions.

3.2 The Finance Department (FIN)

- Establishes general FAMS procedures and an inventory schedule that includes all departments and causes the least amount of disruption to normal operations.
- Ensures that the FAMS has appropriate functions and reporting to assist departments in conducting and reconciling the inventory.
- Assists departments in investigating and resolving all significant differences between the current physical inventory and the existing asset files.



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- Reviews and compiles final inventory results of all departments and submits these results to the Mayor and the City Controller.

4 Inventory Frequency

The Finance Department will establish physical inventory intervals and schedules for the inventory of all fixed assets and low value items. All departments will perform physical inventories in accordance with these established inventory schedules.

At a minimum, capital assets will be inventoried on an annual basis, excluding land parcels and underground infrastructure. Low value assets will be inventoried over a four year period by selecting approximately 25% of the total low value items per year which are recorded in a FAMS.

5 Conducting the Physical Inventory

5.1 Inventory Schedule

FIN will require an inventory completion schedule from all departments. Each DFAC will coordinate the inventory process with the assistance of FIN.

5.2 General Procedure

1. Once a location has been selected for physical inventory, the DFAC prepares an Inventory Worksheet for the location. Printing the worksheet serves two purposes:
 - It identifies the batch within the FAMS that will be used for comparison with the batch of assets found in the bar code reader inventory.
 - It provides a “walking document” to help identify and locate the assets that need to be inventoried at the location.
2. Designated department personnel will conduct the actual inventory as follows and record observations in the bar code reader:
 - The inventory taker will initial the worksheet (as the inventory taker) for the location being inventoried.
 - The bar code tags of all of the assets found with City tag numbers at that location will be scanned, indicating the quantity observed. (This value is generally 1, but will be greater for group control assets.)
 - If a tag cannot be scanned because it is damaged or dirty, the tag number will be manually entered and subsequently replaced (see subsection 8 in this section).
 - Any items found at the location that do not have a City tag number, are not listed on the worksheet, and are not personal property will be tagged and recorded as well.



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- Nontagged assets (e.g., buildings, identifiable land parcels, improvements) will also be inventoried, and the ownership, location, and status of these assets will be verified.
3. After collecting the inventory data, the inventory results compared to the FAMS for reconciliation and exception processing.
4. Any exceptions in the inventory findings will be identified by comparing the field inventory results with the asset information in the FAMS. When field results for an asset are the same as the information in the FAMS master file, the asset will be updated as *reconciled* and the date of the inventory recorded in the asset record. If there is a discrepancy between the field inventory information for an asset and the FAMS master file, the record will be marked as an exception that will need to be reconciled.
5. An Inventory Exceptions Report with the following exception categories will be prepared for processing by the DFAC:
 - Exceptions involving location discrepancies within the department
 - Exceptions where the asset was found during the inventory but is not in the FAMS database
 - Exceptions where the asset is in the FAMS database but was not found during the inventory

Note: *Additional steps and procedures for conducting the inventory are detailed in the FAMS User Manual.*

6 Reconciliation Results and Actions

1. The DFAC will obtain and review the Inventory Exceptions Report to determine and recommend appropriate action.
2. Exceptions involving location discrepancies within the department will be cleared through departmental transfer transactions, in accordance with established procedures, based on the approval and authorization of the DFAC.
3. Exceptions where the asset was found during the inventory but is not in the FAMS database will be handled as follows:
 - If research determines that the asset was formally acquired and is properly in the custody of the department, but has not been recorded in the FAMS as an acquisition, the exception will be cleared through an acquisition transaction, in accordance with established procedures, based on the approval and authorization of the DFAC.
 - If research determines that the asset has not been formally acquired by the department, and a City FAI/tag number is affixed to the asset, the DFAC will contact FIN Asset



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Management to determine whether the “owner” department can be located based on an inquiry (by asset number) in the Central FAMS Reporting Database. If the department can be identified, the DFAC will arrange for the return of the property to the owner department. If the department cannot be identified, the asset will be deemed abandoned property and will be reported to FIN for inclusion in a Citywide Abandoned Assets Report.

- If research determines that the department has not formally acquired the asset, and a City FAI/tag number is not affixed to the asset, it should be tagged and added to the FAMS.
4. Exceptions where the asset is in the FAMS database but was not found during the inventory will be handled as follows:
 - The asset will be transferred to a missing location in the FAMS with the fiscal year noted.
 - The DFAC will make every attempt to locate the asset, including reviewing any available Citywide reports that may assist in determining its location. The department will continue attempts to locate the lost or unconfirmed asset during the following inventory cycle.
 - If the asset cannot be located after the following inventory cycle, the DFAC will follow the procedures for a missing asset outlined in Section 13 (Retirement and Disposal).
 5. For those exceptions that can be resolved, the appropriate reconciliation transactions will be entered into the FAMS (Transfer, Add, Disposal, etc.). Once reconciled, the asset will be updated as *reconciled* and the date of inventory and the reconciliation date will be recorded in the asset record.

7 Reporting Final Results

(First sentence of this bullet point has been removed on 1/30/2013). The annual inventory reports will remain on file at each department’s office location for auditing and verification purposes with supporting documentation for the following:

- All confirmed and unconfirmed assets
- Department inventory results and related asset values
- Items changed to *inactive* status

8 Damaged or Defaced Tags

1. Items with damaged or defaced tags will be reported to the DFAC. The physical inventory information will be verified against the fixed asset inventory report to confirm the identification of the asset.
2. The DFAC will issue a new tag number in accordance with established procedures.



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3. The custodial section will sign and return the retagging notice to the DFAC, confirming that the new tag has been affixed to the asset.

9 Grant Funded Assets

A physical inventory will include verification of the existence, location, current use, and continued need for grant funded property. Physical data for grant funded assets will be reconciled with the FAMS records following the same procedures used for other fixed assets.