



30.45 Capital Asset Physical Inventory Policy

Section	Title	Effective Date	Page Number
30.45.10	Physical inventory frequency	July 1, 2009	255
30.45.20	Who should conduct and verify the physical inventory?	July 1, 2001	256
30.45.30	Physical inventory instructions	July 1, 2001	256
30.45.40	Physical inventory reconciliations	July 1, 2001	256
30.45.50	Retaining physical inventory records	July 1, 2001	257

30.45.10 Physical inventory frequency

July 1, 2009

Conduct physical inventories at least once every other fiscal year for all inventoriable assets except as noted below.

Due to the stationary nature of certain assets (such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements), performing a physical inventory every other fiscal year is not required. However, consideration must be given to the requirements of [Subsection 85.60.45](#), which requires adjusting the carrying value of assets that have been impaired.

Agencies may conduct their capital assets inventory on a revolving basis if the following conditions are met:

- Every item is subject to a physical count or verification at least once every other fiscal year.
- The inventory program is documented and active

As an alternative to conducting a physical inventory of every inventoriable asset at least once every other year, an agency may, pursuant to [Subsection 1.10.50](#), request OFM approval for a risk based sampling approach to a physical inventory. Requests for approval and the agency's capital asset risk assessment are to be sent to the OFM Accounting Division.

Documents submitted to OFM for approval should include:

- A capital asset risk assessment that identifies the objectives and risks of the capital asset cycle;
- Analysis of the control policies and procedures surrounding agency capital asset purchases, dispositions, impairments, inventorying and financial reporting; and
- The impact of the risk assessment on the sampling approach (i.e. which assets are high risk and therefore should be tested).



State Administrative and Accounting Manual

For art collections, library reserve collections, library resources, and museum and historical collections (which are safeguarded and maintained through a perpetual or cataloging system), agencies are to perform a physical inventory of these assets at least once every other fiscal year if practical. If not, they are to be periodically sampled on a revolving basis or physically inventoried via accepted industry standards.

30.45.20 Who should conduct and verify the physical inventory?

July 1, 2001

In order to ensure objective reporting of inventory items, a physical inventory should be performed by personnel having no direct responsibility (custody and receipt/issue authority) for assets subject to the inventory count. If it is not feasible to use such personnel for any part of the inventory, then those portions are, at least, to be tested and verified by a person with neither direct responsibility for that portion of the inventory nor supervised by the person directly responsible.

30.45.30 Physical inventory instructions

July 1, 2001

Written physical inventory instructions must be documented and distributed to each person participating in the inventory process. The instructions should describe:

- How and where to record each item,
- What information to record,
- What to do when they have a question,
- What procedures to follow when they finish their assignments,
- What procedures to follow when equipment is located but not listed,
- The procedure by which the person counting the assets attests to the accuracy of the count, such as by signing his or her name at the bottom of each inventory page, or signing a cover page for a group of pages sorted by another method (batches, location, equipment type, etc.), and
- How to record assets not being used or in an obviously unserviceable condition. Such information is to be used to schedule repair or disposition of such assets. (Also refer to [Subsection 30.40.45](#)).

30.45.40 Physical inventory reconciliations

July 1, 2001

After the physical inventory count is completed, the agency inventory officer is to conduct the reconciliation process. When all differences have been identified and explained, the inventory is considered reconciled. Refer to [Subsection 85.60.60](#).

Agencies should conduct the following steps during the reconciliation process:



State Administrative and Accounting Manual

- Search the inventory lists to determine whether inventory noted during the count as unrecorded is, in fact, listed on another portion of the inventory.
- Enter unrecorded assets into the inventory system as soon as possible after discovery.
- If a significant number of unrecorded assets are located, indicating a major problem with the asset recording procedures, the agency inventory officer is to determine why the problem is occurring and correct it.
- Conduct a search in an effort to locate missing assets. For those assets not located, inventory officers are to follow procedures outlined in [Subsection 30.40.80](#).

After the inventory is reconciled, the agency inventory officer is to certify the reconciliation with a statement and signature that it is correct and report this to the supervisor. If the certification cannot be made, the inventory officer is to disclose that fact and the supervisor is to determine the appropriate course of action.

30.45.50 Retaining physical inventory records

July 1, 2001

The certification, together with the reconciliation and the inventory listing, serves as the support for the inventory balance and for accounting adjustments, if any, and must be retained by the agency. The agency should retain this documentation in accordance with the approved agency records retention schedules.