

**STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
DIVISION OF GENERAL SERVICES
PROPERTY MANAGEMENT OFFICE**

**PHYSICAL INVENTORY
PROCEDURES GUIDE**

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PUBLICATION DATA

This guide is a publication of the Property Management Office. It is intended for Department Property Officers, Department Property Custodians, and others responsible for property within the State of Alaska's Executive Branch. This guide includes detailed information about the various types of inventories, procedures for conducting inventories, and inventory reporting requirements. This guide does not supersede or replace any statutory or regulatory guidelines or authorities established by the State of Alaska, or policies and procedures as implemented by the Chief Procurement Officer of the Department of Administration, Director of Division of General Services of the Department of Administration, or the Commissioner of Department of Administration.

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Circulation is unrestricted.

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SECTION 1. PURPOSE

This document provides a step by step guide to accomplishing a physical inventory. Physical inventories are a component of good stewardship of public funds and state property and are required by state statute. In some instances, alternative procedures may be necessary based upon unique circumstances within a department. If so, any alternative procedures must be submitted in writing to the State Property Manager for review and approval/disapproval.

SECTION 2. AUTHORITY

The Department of Administration derives its authority to direct physical inventories from Alaska State Statute 37.05.160. It applies this statutory authority through the Division of General Services, Property Management Office. The State Property Manager is tasked with the day to day operation of the Property Management Office.

SECTION 3. APPLICABILITY

Physical inventory procedures and requirements apply to controlled property items among State of Alaska Executive Branch departments and agencies. All controlled property shall be loaded into the Integrated Resource Information System (IRIS). Controlled property includes the following:

- Non-consumable property and equipment valued at \$5,000.00 or more, FOB final destination, regardless of the funding source or means of acquisition - This property must be inventoried and tagged/marked with a property control number
- Sensitive items - Specific items which must be inventoried and tagged/marked with a property control number regardless of original acquisition cost, funding source, or means of acquisition
- Lease purchase or installment purchase equipment or long term rental equipment and supplies on loan for contractor or grantee use must be treated as controlled property

SECTION 4. THREE TYPES OF PHYSICAL INVENTORIES

The three types of physical inventories are “as required”, “cyclic”, and “annual.”

AS REQUIRED

As required inventories are usually conducted by direction of the State Property Manager or a Department Property Officer. An as required inventory is just that; it is not normally scheduled and is generally conducted in response to a given situation or loss. As required inventories are limited in scope and are often conducted when a change in Department Property Custodian or responsible hand receipt holder occurs.

CYCLIC

Cyclic inventories are a type of periodic inventory. They are conducted monthly, quarterly, or semi-annually in place of an annual inventory. When using a cyclic inventory method, the Department Property Officer notifies Department Property Custodians as to which specific controlled property items to inventory in a given period. The objective of this type of inventory is to have a one-hundred percent inventory of all controlled property items completed within one year from the completion date of the previous one-hundred percent accountability inventory. In most cases, the state requires an annual inventory but this may not be practical for all departments. Cyclic inventories may be a better alternative.

Note: Because cyclic inventories only address a portion of a department’s total inventory at a given time, new or unlisted controlled property items within a department might get overlooked. For this reason, Department Property Officers and Department Property Custodian’s must take special care to ensure that controlled property is added to IRIS.

ANNUAL

Annual inventories are conducted during a specified time and involve a one-hundred percent inventory of all controlled property items within a department. Annual inventories require a greater time commitment and more coordination than cyclic inventories, but have less total disruptions on operations because they occur only once each year. Annual inventories must be completed within one year from the completion date of the previous one-hundred percent accountability inventory.

SECTION 5. REASONS FOR CONDUCTING A PHYSICAL INVENTORY

There are four important reasons why a department conducts a physical inventory:

- To verify or ascertain the physical count, condition, and location of controlled property within a department to ensure accountability and that controlled property is properly documented
- To identify, document, and add controlled property items to a departments inventory that are on hand and meet the definition of controlled property, but are not currently shown as part of the departments inventory
- To ensure that lost, stolen, damaged, transferred, or disposed of controlled property items are no longer carried on a departments inventory
- To identify any missing or damaged controlled property items that need to be located, repaired, or replaced

SECTION 6. HOW TO OBTAIN A DEPARTMENT INVENTORY REPORT

IRIS does not have the capability to generate department controlled property inventory reports. Department controlled property inventory reports have to be downloaded from the Alaska Data Enterprise Reporting (ALDER) system. The Property Management Office does not approve access requests for ALDER. Department Property Officers and Department Property Custodians requiring access to the Alaska Data Enterprise Reporting system will have to obtain approval through their department. ALDER login and information regarding ALDER can be accessed on the Division of Finance website at the link below.

<http://doa.alaska.gov/dof/alder/>

The Property Management Office can provide controlled property inventory reports for departments. However, requests for controlled property inventory reports should be routed to the appropriate Department Property Officer before requesting a controlled property inventory report from the Property Management Office.

SECTION 7. CYCLIC INVENTORY PROCEDURES

The State Property Manager has authorized Department Property Officers to conduct cyclic inventories. If a Department Property Officer decides to schedule and conduct cyclic inventories in lieu of an annual inventory, the Department Property Officer must provide the State Property Manager prior written notice of that decision. The Department Property Officer must ensure that the inventory schedule concludes within

one year of the first cyclic inventory start date and completion date of the previous one-hundred percent accountability inventory. The Department Property Officer's written notification to the State Property Manager must contain the following:

- A statement as to why an annual inventory is not appropriate for that department
- The type of cyclic inventory to be used: monthly, quarterly, or semi-annually
- A complete cyclic inventory schedule
- Appropriate contact information: name, title, division/department, phone number, e-mail address, and fax number

Cyclic inventory procedures are as follows:

1. The Department Property Officer notifies Department Property Custodians of the date of the cyclic inventory, the property items to be inventoried, and the procedures that will be used.
2. The Department Property Officer will provide an inventory printout for the property items to be inventoried to each respective Department Property Custodian.
3. The Department Property Custodians will make arrangements with their respective sections to ensure that all identified property items are available to be inventoried as scheduled.
4. The Department Property Custodians will check each property item against the inventory report provided by the Department Property Officer.
5. The Department Property Custodians will look for the property items property control number or manufacturer's serial number. The property control number and/or serial number of each property item will be compared against the inventory report. Property control numbers and serial numbers of property items must match the property control numbers and serial numbers listed on the inventory report. When a controlled property item does not have a property control number, often it will be listed by serial number. Changes to condition or serviceability (broken, missing parts, damaged, etc.) should be noted for property items inventoried.
6. If the property item is not identified on the inventory report, note what the property item is, its property control number, serial number, make, model, general condition, and location. Department Property Custodians will check to see if the property is a loaned or newly acquired item. It may also be a component of a set and the set was listed as a different property item.

7. Department Property Custodians may find a property item that does not have a property control number but he/she thinks that it should. The Department Property Custodian simply enters the property item on the inventory report with a complete description and annotates "Property Control Number Required." The Department Property Officer will determine whether or not the property item requires a property control number.

8. If the property item cannot be found, enter "Missing" beside the property item on the inventory report. Check with the responsible individual(s) to see if the property item was transferred or turned in. A search for the property item will need to be conducted.

9. Move to the next property item on the inventory report and repeat the process. Continue this procedure until all property items on the inventory report have been inventoried.

10. Once the cyclic inventory is completed, Department Property Custodians must report any changes (**see page 10 paragraph 19 if no changes to the inventory are required**). An inventory change memorandum is used to report any inventory changes to the Department Property Officer such as: excess, damaged, missing, addition, deletion, property requiring a property control number, etc.

An inventory change memorandum must include the following information:

- Name of Department Property Custodian
- Date of inventory
- Type of inventory: cyclic
- Copy of annotated inventory report

Each property item reported shall include the following information:

- Type change (excess, damaged, missing, addition, deletion, property requiring a property control number, etc.)
- Property item description (include make and model)
- Property control number (if none, state "none")
- Serial number (if none, state "none")
- Location

- Condition: unknown, scrap, salvage, poor, good, excellent, new
- Date of purchase (for newly procured property items)
- Value (for newly procured property items)

11. The Department Property Officer will retain the inventory change memorandums from Department Property Custodians and copies of all annotated inventory reports.

12. The Department Property Officer reviews the inventory change memorandum and checks to see if all property items on the inventory report have been annotated.

13. If there are any property items that are considered excess, Department Property Custodians must notify their Department Property Officer. The Department Property Officer determines whether or not the reported excess property can be used within the department to offset any known shortages. If shortages exist, the Department Property Officer will direct an intra-departmental transfer of the property items. If the excess is not suitable to fill existing departmental shortages, the Department Property Officer will notify the State Property Manager. The State Property Manager will instruct the Department Property Officer on the disposition method that will be used for the excess property.

14. If there are any property items that are damaged or missing, Department Property Custodians must notify their Department Property Officer. Department Property Custodians reporting damaged or missing property items will conduct an informal investigation regarding the damaged or missing property item(s). The basic who, what, when, where, and how, should be explained and reported to the Department Property Officer. If any damaged items are economically repairable, the Department Property Custodian will coordinate with the necessary department personnel to have the property repaired. Property Items that cannot be economically repaired are reported to the Department Property Officer. For property items that are not economically repairable or missing property item that cannot be located, the Department Property Officer will instruct the appropriate Department Property Custodian to create a fixed asset disposition document in IRIS, requesting approval to dispose of the unrepairable property item(s) and/or record the missing property item(s).

Note: Department Property Officers should contact the State Property Manager before seeking disposal of property that cannot be economically repaired. Often such property is appropriate for online auction services, allowing the state to recoup some of the value of the damaged and unrepairable property.

15. If there are any property items that need to be added to the inventory, because the property meets the definition of controlled property, Department Property Custodians must notify their Department Property Officer. The Department Property Officer will

instruct the appropriate Department Property Custodian to create a fixed asset acquisition document in IRIS, to record the addition of the property item(s).

16. If there are any property items that need to be deleted from the inventory, Department Property Custodians must notify their Department Property Officer. The Department Property Officer will instruct the appropriate Department Property Custodian to create a fixed asset disposition document in IRIS, to record the deletion of the property item(s).

17. If the phrase "Property Control Number Required" appears on the inventory report, the Department Property Officer determines if the property item(s) require property control number decals and responds accordingly. If a determination is made to assign a property control number to a property item because it meets the definition of controlled property, the Department Property Officer will instruct the appropriate Department Property Custodian to create a fixed asset acquisition document in IRIS, to record the addition of the property item(s).

18. The Department Property Officer will work with Department Property Custodians to ensure that all other changes to the department's property inventory are entered into IRIS.

19. If the inventory is completed and no changes are necessary (one-hundred percent accountability achieved), Department Property Custodians will forward a memorandum to the Department Property Officer with the following information:

- Date of inventory
- Type of inventory: cyclic
- Result: 100%
- Changes: none

20. The Department Property Officer will retain the memorandums from Department Property Custodians and copies of all annotated inventory reports.

21. After the Department Property Officer has collected all inventory memorandums from Department Property Custodians, the Department Property Officer will compile the data provided on all memorandums and inventory reports from the Department Property Custodians and create a final inventory memorandum. The final inventory memorandum will be sent (e-mail is preferred) to the State Property Manager for review.

If there is one-hundred percent accountability of all property items and no changes are required, the final inventory memorandum will contain the following information:

- Name of Department
- Name of Department Property Officer
- Date of inventory
- Type of inventory: cyclic
- Result: 100%
- Changes: none
- Whether the cyclic inventory is the final inventory required for one-hundred percent accountability of all department property

If there are changes to the inventory, the final inventory memorandum will contain the following:

- Name of Department
- Name of Department Property Officer
- Date of inventory
- Type of inventory: cyclic
- Result: 100%
- Changes: changes identified
- Whether the cyclic inventory is the final inventory required for one-hundred percent accountability of all department property

Each property item reported shall include the following information:

- Type change (excess, damaged, missing, addition, deletion, property requiring a property control number, etc.)
- Property item description (include make and model)

- Property control number (if none, state “none”)
- Serial number (if none, state “none”)
- Location
- Condition: unknown, scrap, salvage, poor, good, excellent, new
- Date of purchase (for newly procured property items)
- Value (for newly procured property items)

The Department Property Officer will also provide a copy of the final inventory memorandum to each respective Division Director within their department.

22. After the State Property Manager reviews the completed final inventory memorandum, the following information will be entered into the inventory control log:

- Name of Department
- Name of Department Property Officer
- Date of inventory
- Type of inventory: cyclic
- Changes: yes or no (based on final inventory memorandum)
- Next cyclic inventory date as scheduled by the department
- Whether cyclic inventory is the final inventory required for one-hundred percent accountability of all department property

The State Property Manager will contact the Department Property Officer regarding any questions, concerns, or required action based on the final inventory memorandum.

SECTION 8. ANNUAL INVENTORY PROCEDURES

All annual inventories must be scheduled. Annual inventory schedules must be sent to the State Property Manager so the inventory control log can be updated. If preferred, the Department Property Officer may schedule and conduct an annual inventory when it best suits that department’s workload, as long as the inventory is completed within one year from the date of the previous one-hundred percent accountability inventory.

Annual inventory procedures are as follows:

1. The Department Property Officer notifies Department Property Custodians of the date of the annual inventory and the procedures that will be used. Because the annual inventory is a comprehensive one-hundred percent inventory, it will require more coordination and time to accomplish. Department Property Officer's should schedule annual inventories accordingly.
2. The Department Property Officer will provide an inventory printout for the property items to be inventoried to each respective Department Property Custodian.
3. The Department Property Officer freezes property transactions department wide while the annual inventory is occurring. All pending property transactions are placed in a hold file and processed after the inventory is finished.

Note: An exception can be made for departments that would experience a hardship due to freezing property transactions. Department Property Officers are responsible for requesting an exception. Requests are made by sending a memo to the State Property Manager requesting that property transactions continue to be processed during the annual inventory process and details explaining why a hardship would occur if property transactions were froze during the annual inventory process.

4. The Department Property Custodians will make arrangements with their respective sections to ensure that all identified property items are available to be inventoried as scheduled.
5. The Department Property Custodians will check each property item against the inventory report provided by the Department Property Officer.
6. The Department Property Custodians will look for the property items property control number or manufacturer's serial number. The property control number and/or serial number of each property item will be compared against the inventory report. Property control numbers and serial numbers of property items must match the property control numbers and serial numbers listed on the inventory report. When a controlled property item does not have a property control number, often it will be listed by serial number. Changes to condition or serviceability (broken, missing parts, damaged, etc.) should be noted for property items inventoried.
7. If the property item is not identified on the inventory report, note what the property item is, its property control number, serial number, make, model, general condition, and location. Department Property Custodians will check to see if the property is a loaned or newly acquired item. It may also be a component of a set and the set was listed as a different property item.

8. Department Property Custodians may find a property item that does not have a property control number but he/she thinks that it should. The Department Property Custodian simply enters the property item on the inventory report with a complete description and annotates "Property Control Number Required." The Department Property Officer will determine whether or not the property item requires a property control number.

9. If the property item cannot be found, enter "Missing" beside the property item on the inventory report. Check with the responsible individual(s) to see if the property item was transferred or turned in. A search for the property item will need to be conducted.

10. Move to the next property item on the inventory report and repeat the process. Continue this procedure until all property items on the inventory report have been inventoried.

11. Once the cyclic inventory is completed, Department Property Custodians must report any changes (**see page 16 paragraph 20 if no changes to the inventory are required**). An inventory change memorandum is used to report any inventory changes to the Department Property Officer such as: excess, damaged, missing, addition, deletion, property requiring a property control number, etc.

An inventory change memorandum must include the following information:

- Name of Department Property Custodian
- Date of inventory
- Type of inventory: annual
- Copy of annotated inventory report

Each property item reported shall include the following information:

- Type change (excess, damaged, missing, addition, deletion, property requiring a property control number, etc.)
- Property item description (include make and model)
- Property control number (if none, state "none")
- Serial number (if none, state "none")
- Location
- Condition: unknown, scrap, salvage, poor, good, excellent, new

- Date of purchase (for newly procured property items)
- Value (for newly procured property items)

12. The Department Property Officer will retain the inventory change memorandums from Department Property Custodians and copies of all annotated inventory reports.

13. The Department Property Officer reviews the inventory change memorandum and checks to see if all property items on the inventory report have been annotated.

14. If there are any property items that are considered excess, Department Property Custodians must notify their Department Property Officer. The Department Property Officer determines whether or not the reported excess property can be used within the department to offset any known shortages. If shortages exist, the Department Property Officer will direct an intra-departmental transfer of the property items. If the excess is not suitable to fill existing departmental shortages, the Department Property Officer will notify the State Property Manager. The State Property Manager will instruct the Department Property Officer on the disposition method that will be used for the excess property.

15. If there are any property items that are damaged or missing, Department Property Custodians must notify their Department Property Officer. Department Property Custodians reporting damaged or missing property items will conduct an informal investigation regarding the damaged or missing property item(s). The basic who, what, when, where, and how, should be explained and reported to the Department Property Officer. If any damaged items are economically repairable, the Department Property Custodian will coordinate with the necessary department personnel to have the property repaired. Property Items that cannot be economically repaired are reported to the Department Property Officer. For property items that are not economically repairable or missing property item that cannot be located, the Department Property Officer will instruct the appropriate Department Property Custodian to create a fixed asset disposition document in IRIS, requesting approval to dispose of the unrepairable property item(s) and/or record the missing property item(s).

Note: Department Property Officers should contact the State Property Manager before seeking disposal of property that cannot be economically repaired. Often such property is appropriate for online auction services, allowing the state to recoup some of the value of the damaged and unrepairable property.

16. If there are any property items that need to be added to the inventory, because the property meets the definition of controlled property, Department Property Custodians must notify their Department Property Officer. The Department Property Officer will instruct the appropriate Department Property Custodian to create a fixed asset acquisition document in IRIS, to record the addition of the property item(s).

17. If there are any property items that need to be deleted from the inventory, Department Property Custodians must notify their Department Property Officer. The Department Property Officer will instruct the appropriate Department Property Custodian to create a fixed asset disposition document in IRIS, to record the deletion of the property item(s).

18. If the phrase “Property Control Number Required” appears on the inventory report, the Department Property Officer determines if the property item(s) require property control number decals and responds accordingly. If a determination is made to assign a property control number to a property item because it meets the definition of controlled property, the Department Property Officer will instruct the appropriate Department Property Custodian to create a fixed asset acquisition document in IRIS, to record the addition of the property item(s).

19. The Department Property Officer will work with Department Property Custodians to ensure that all other changes to the department’s property inventory are entered into IRIS.

20. If the inventory is completed and no changes are necessary (one-hundred percent accountability achieved), Department Property Custodians will forward a memorandum to the Department Property Officer with the following information:

- Date of inventory
- Type of inventory: annual
- Result: 100%
- Changes: none

21. The Department Property Officer will retain the memorandums from Department Property Custodians and copies of all annotated inventory reports.

22. After the Department Property Officer has collected all inventory memorandums from Department Property Custodians, the Department Property Officer will compile the data provided on all memorandums and inventory reports from the Department Property Custodians and create a final inventory memorandum. The final inventory memorandum will be sent (e-mail is preferred) to the State Property Manager for review.

If there is one-hundred percent accountability of all property items and no changes are required, the final inventory memorandum will contain the following information:

- Name of Department
- Name of Department Property Officer
- Date of inventory
- Type of inventory: annual
- Result: 100%
- Changes: none

If there are changes to the inventory, the final inventory memorandum will contain the following:

- Name of Department
- Name of Department Property Officer
- Date of inventory
- Type of inventory: annual
- Result: 100%
- Changes: changes identified

Each property item reported shall include the following information:

- Type change (excess, damaged, missing, addition, deletion, property requiring a property control number, etc.)
- Property item description (include make and model)
- Property control number (if none, state "none")
- Serial number (if none, state "none")
- Location
- Condition: unknown, scrap, salvage, poor, good, excellent, new
- Date of purchase (for newly procured property items)

- Value (for newly procured property items)

The Department Property Officer will also provide a copy of the final inventory memorandum to each respective Division Director within their department.

23. After the State Property Manager reviews the completed final inventory memorandum, the following information will be entered into the inventory control log:

- Name of Department
- Name of Department Property Officer
- Date of inventory
- Type of inventory: annual
- Changes: yes or no (based on final inventory memorandum)
- Next annual inventory date as scheduled by the department

The State Property Manager will contact the Department Property Officer regarding any questions, concerns, or required action based on the final inventory memorandum.

SECTION 9. PHYSICAL SECURITY OF CONTROLLED PROPERTY

During the inventory, Department Property Custodians may note shortcomings in physical security procedures. Poor physical security may have contributed to loss, damage, or theft of property. Department Property Custodians should identify any physical security concerns to the responsible individual, the individual's immediate supervisor, and the Department Property Officer. The Department Property Officer is responsible for educating supervisors and Department Property Custodians on effective physical security practices.

END OF PHYSICAL INVENTORY PROCEDURES GUIDE