



41.213: Physical Inventory Policies and Procedures (replaces Policy #15 in its entirety)

Responsible Executive: Vice President for Finance and Business
Responsible Office: Office of the Controller/Financial Services
Related Policy: 14: Controlling Fixed Assets; CAPP Manual Topic 30505
Approved-On Date: February 11, 2008
Effective Date:
Revision Date: Old revision dates were 2/15/95 and 9/1/02

Policy Statement

The University is required to perform an inventory of its capital and Equipment Trust Fund (ETF) assets biennially. These items are identified in the Fixed Asset Inventory System (FAIS) within IFAS and have a unique tag number. Budget account code and responsible position number also identify the items. The Fixed Asset Accountant is charged with overseeing the inventory process.

Purpose

This statement provides guidelines to appropriately inventory all University owned tagged assets and surplus property.

Objective

To prove the financial value of the University's inventory of capital and ETF assets.

Responsibilities

- a. Fixed Asset Accountant is responsible for:
 - (1) Developing the inventory procedures.
 - (2) Developing the sampling plan.
 - (3) Purifying the FAIS and ETF database prior to sample selection.
 - (4) Providing sample capital and ETF asset item data to responsible budget unit directors for physical inventory.
 - (5) Assisting responsible budget unit directors in reconciling discrepant inventory results.
 - (6) Producing the final inventory report.

- b. Budget unit directors are responsible for:
 - (1) Conducting physical inventory of sampled items *with all due diligence*.
 - (2) With the assistance of the Fixed Asset Accountant, reconciling all initial inventory discrepancies.
 - (3) Recording and certifying inventory results.

Procedures

The University will use stratified proportional sampling (dollar unit sampling) to prove the value of the inventory. The following *sample plan* applies.

- a. The testing will be substantive, that is, intended to prove the existence of the items and verify the asset's actual condition (usability) against that recorded. The sample will be constructed for
 - (1) An overall confidence level of 95%.
 - (2) An overall precision level of 0.56% (Plus or Minus \$275,000) of total capital and ETF asset value.
- b. The University's FAIS capital and ETF asset data base records will be stratified and sampled to yield the confidence and levels of precision shown in the tables below.

TABLE A – ASSET STRATIFICATION				
STRATA	VALUE RANGE	ITEM COUNT	STRATUM VALUE	INTERVAL VALUE
1	\$100,000 or greater	51	\$11,712,166.65	\$0
2	\$50,000 to \$99,999	46	\$3,307,566.80	\$0
3	\$5,000 to \$49,999	1203	\$14,301,541.86	\$50,005
4	\$4,999 or less	13,111	\$19,056,615.47	\$41,706
ALL	Complete Range	14,411	\$48,377,890.78	N/A

TABLE B – SAMPLING VARIABLES				
STRATA	CONFIDENCE FACTOR	PRECISION AS %	PRECISION AS \$+/-	SAMPLE SIZE
1	100%	0.00%	\$0	51
2	100%	0.00%	\$0	46
3	95%	1.05%	\$150,000	286
4	95%	0.66%	\$125,000	457
ALL	95% +	0.56%	\$275,000	840

- c. All items in strata 1 and 2 will be inventoried.
- d. For strata 3 and 4, random sample items will be chosen using the stratum interval values in Table A along with the stratum database arrayed in tag number sequence. The process will be as follows:
 - (1) An arbitrary point within the interval will be set as the starting point and multiplied by -1.

- (2) The value of the first and succeeding inventory items, as identified in tag number sequence within the relevant strata, will be applied to the starting point until the total reaches or exceeds 0. That item, identified by its tag number, which takes the cumulative total to 0 or beyond becomes the first sample item.
- (3) The cumulative total thus arrived at will be multiplied by -1 and used as the new starting point, and the additive process repeated until the second sample item, identified by its tag number, is derived.
- (4) The process in steps (2) and (3) will be repeated until the full sample set, as sized in Table B, is selected.

e. Responsible budget unit directors will then inventory the sample items.

Physical Inventory Procedures

Once the sample items are determined, the following physical inventory procedures apply:

- a. Basic inventory process: Items are identified to responsible budget unit directors on the *Inventory Item List and Response Form*. Lists appropriate to the budget unit director receiving this copy of the memorandum are attached.
 - (1) Budget unit directors will confirm the existence of each item by checking the appropriate box on attachment A, and validate or correct the information contained on the form.
 - i. Checking the box marked “Item Found” indicates that the item has been physically inventoried.
 - ii. Checking the box marked “Item Not Found” indicates that the item was not located and physically inventoried.
 - iii. For items physically located and inventoried, erroneous data such as **Bldg., Room #**, etc. should be corrected by striking through the erroneous data and writing in the correct data.
 - (2) When complete, budget unit directors will sign the form, certifying its correctness and return the original to the Fixed Assets Accountant, maintaining a copy for their files.
- b. Exception Procedures: When initial inventory fails to locate an item, the following procedures apply:
 - (1) At the time the item is determined to be “unaccounted for” the budget unit director will research to find out the last known disposition of the item, including in whose possession the item was last held.
 - (2) The budget unit director will check the “Item Not Found” box on the *Inventory Item List and Response Form* as “unaccounted for” and note the last known disposition in the area provided for “Remarks.”
 - (3) After the completed *Inventory Item List and Response Form* is submitted, the Fixed Asset Accountant will contact the responsible budget director to further research disposition of the item.
 - (4) If the item remains unaccounted for, depending on the monetary value and circumstances, the loss may also be referred to Campus Police for investigation.

- c. During the basic inventory process, if a capitalized or ETF asset is determined to be obsolete and/or damaged, the responsible budget unit director shall properly fill out an Equipment Turn-in/Transfer Form and submit to the Fixed Asset Accountant for review and approval. Once approved by the Fixed Asset Accountant, the asset can be disposed and removed from the University's inventory system.

Results: Should this inventory process result in unsatisfactory findings, the University will have to conduct a complete physical inventory of *all* capitalized and ETF assets.

Questions: Questions concerning inventory procedures or documentation may be addressed to the personnel listed below:

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