



11.0 Inventory

Introduction

Institutions must maintain control of inventory to comply with state law, to provide reporting totals for insurance purposes, and to maintain internal management control of assets. This section provides a summary of the laws, reporting requirements, and other institutional procedures relating to inventory.

Inventory can refer to:

- Property
- Equipment
- Consumables

Topics in this section include:

- ❑ State Requirements for Equipment Inventory
- ❑ Insurance Requirements for Property Inventory
- ❑ Institutional Use
- ❑ Mandatory Physical Equipment Inventory Requirements
- ❑ Annual Reporting of Inventory Data to DOAS
- ❑ State Audit Requirements
- ❑ Institutional Procedures



11.1 State Requirements for Equipment Inventory

The University System of Georgia is required to keep an equipment inventory of all items that are nonconsumable and nonexpendable in nature, having a life expectancy of three or more years, and an item acquisition cost of \$3,000 or more. Examples of these items are:

- Motor vehicles
- Mechanized and non-mechanized equipment
- Office equipment
- Appliances

Institutions may also include any item or items not meeting these criteria that it desires to have included in the inventory for valid management reasons.

Note: For the complete text of the law, refer to The Official Code of Georgia, numbers 50-16-160 through 50-16-161.1. Current requirements are subject to a review and possible repeal under Senate Bill 73 on 6/30/2006.



11.2 Insurance Requirements for Property Inventory

The Risk Management Services division of the Georgia Department of Administrative Services (DOAS) provides insurance services for state of Georgia agencies and authorities. The property program insures state-owned buildings and property against damage or destruction from various hazards.

The Risk Management Services division does not utilize the detailed property inventory records for establishing insurance premiums. Risk Management Services will ask each institution to provide annually a listing of buildings, building values, along with values for the building contents. This report is used for determining insurance billing amounts. After Risk Management Services receives the annual listing of buildings, building values, along with values for the building contents from the institution, they will issue an invoice for the insurance coverage directly to the institution.



11.3 Institutional Use

Institutional use of the equipment inventory data includes, but is not limited to:

1. **Accountability:** Assigning a custodian to every equipment item.
2. **Location Control:** Maintaining an accurate location for the item.
3. **Loss Control:** Maintaining adequate records to insure that the item is still available for institutional use, and/or becoming aware that an item is missing in a timely manner.
4. **Physical Inventory:** Producing various listings/data files to facilitate the task of conducting actual physical inventories to verify current locations, conditions, etc of each item on inventory.
5. **Value Assignment:** Assigning a value of equipment by building to assist in the preparation of the annual report to the Department of Risk Management.
6. **Tracking of Non-University Equipment (Federal, NIH, DOD, etc):** Tracking and assisting with calculation of indirect cost overhead rates for sponsored operations.



11.4 Mandatory Physical Equipment Inventory Requirements

All institutions within the University System of Georgia must conduct a mandatory physical equipment inventory annually. The results of this inventory will be updated into the equipment inventory systems utilized by the institution to satisfy state reporting requirements. These results should change the status or condition of the item if required, such as missing or poor condition.

When the data file is submitted as of the end of the fiscal year, each item contained in the file should have been part of a physical inventory during that fiscal year. This allows for periodic physical inventories to be conducted on small segments of the institution's property throughout the fiscal year to eliminate the need for conducting a complete inventory during the last month of the fiscal year.



11.5 Annual Reporting of Inventory Data to DOAS

The reporting requirements for the equipment inventory program involve the submission of an equipment inventory data file annually. This data file is prepared “as of June 30th,” which is the close of the fiscal year. It is expected that this data file will be accurate, and that the status of inventory items included in the file has been verified by an actual inventory during the fiscal year being closed.

To allow sufficient time for updates to the institution’s property inventory system, the annual submission of the data file generally occurs during September after the close of the fiscal year that occurs on June 30th. The actual submission deadline date varies by year, but is generally near the middle of September.

Note: The USG Office of Information and Instructional Technology (OIIT) publishes an announcement annually on the FIRST-LF listserv that provides the deadline date, along with any changes to the submission procedure.

The data file should be submitted as an attachment to an email message. The file is submitted to the Georgia Technology Authority (GTA), which is the consolidating agent for the Department of Administrative Services (DOAS)*. A copy of the file should also be submitted to OIIT.

Note: Exact email addresses are provided annually in the listserv announcement referenced above.

* **Note:** Institutions using the Georgia *FIRST* model of the PeopleSoft Financials software should use the DOAS Inventory Interface located on the BOR Interfaces & Reports menu. See Business Process AM 39, DOAS Inventory Interface 3.7.01, for further information.



11.6 State Audit Requirements

During the annual audit conducted by the State Department of Audits and Accounts, a sample listing of equipment from the inventory system may be physically checked for location, decal, and accuracy of information.



11.7 Institutional Procedures

11.7.1 New Equipment

Each institution should establish procedures to insure that all equipment that should be added to the inventory is adequately tracked until it is added to the system. This includes affixing a property decal or other identification to the item along with recording appropriate information into the equipment inventory system.

11.7.2 Off-Site Use of Equipment

Equipment that is assigned to an individual that may be utilized away from the normal institutional environment must be adequately controlled and be available for inventory. Institutions should utilize an equipment control checkout form that records adequate information to indicate equipment location, individual responsible for the equipment, etc. This is required for insurance and for audit purposes.

Note: Institutions may design their own equipment control checkout form.

11.7.3 Transfer of Equipment

Equipment may be transferred from one institution to another institution, or from one Institution to another state agency. The procedures for accomplishing the transfer are detailed in the following sections.

Transfer between USG Institutions

For transfer between institutions of the University System of Georgia, no approval is required from the Department of Administrative Services. Adequate documentation should be maintained by both institutions' property control coordinators to allow tracking of the item(s) transferred.

The item(s) may be removed from the inventory, and the accounting ledger balances if appropriate, by the transferring institution, with corresponding additions being made by the receiving institution.

Transfer between a USG Institution and Another State Agency

For transfer between an institution of the University System of Georgia and another state agency, the policies of the Department of Administrative Services must be followed. Consult the latest version of the "Surplus Property Disposal Guide" published by the Department of Administrative Services for forms and procedures.

Generally, a Transfer Form and Invoice must be completed, the institution's property control coordinator must contact DOAS Surplus & Supply to obtain a transaction number,



the transaction number must be entered on the form, and then the transfer may be accomplished. The original copy of the Transfer Form and Invoice must be sent to the DOAS Surplus & Supply office. The institutional copy of the form with the transaction number becomes the authorization to delete the item from inventory and adjust accounting balances as required.

11.7.4 Lost, Stolen, or Damaged Equipment

1. The individual responsible for the equipment should file a police report with the local police authority if a law may have been broken. This may be the institution's police department or the community police department, depending upon the location of the equipment when lost/stolen.
2. If a police report is filed, a copy of the report is sent to the institution's property control coordinator.
3. If the loss/damage is expected to exceed \$5,000, prompt notice must be provided to DOAS, Risk Management Services. The notice must include a description of the property involved and how, when and where the loss or damage occurred. If the loss/damage is expected to be \$5,000 or less, this notice to DOAS must be made within 6 months from the date of loss/damage.
4. The property control coordinator should insure that the inventory records are updated to properly reflect the status of the item.
5. If the item is insured, the property control coordinator and the institution's business office will submit a claim to DOAS.
6. If the item is eligible for reimbursement, DOAS will reimburse the institution for the remaining use value of the equipment.

11.7.5 Disposal of Surplus Property

The authorized methods for disposal of state surplus property are as follows:

1. Transfer the surplus property to another institution, as detailed in Section 11.7.3 above.
2. Transfer the surplus property to another state agency, as detailed in Section 11.7.2 above.
3. Sell the surplus property to the highest bidder by competitive bids.
4. Turn in the surplus property to surplus distribution centers.



5. Destroy any valueless surplus property.

Note: See the “DOAS Surplus Disposal Guide” for procedures and forms for disposal methods 2, 3, 4, and 5 above.

11.7.6 Recovered Property

If property is recovered that was previously part of a loss settlement, the DOAS Risk Management Services department must be notified promptly. The institution may be required to return the previous settlement amount. An additional settlement may be possible to cover recovery expenses and the expenses to repair the recovered property.

11.7.7 Inventory for Resale

Inventories for resale include books and other items for resale in a bookstore, food items purchased for resale, and any other merchandise that is purchased for resale.

Purchases of items for resale may be charged to the purchases for resale account for purchasing occurring during an accounting period. The ending balance in the purchases for resale account should be zero at the end of each month and at the end of the fiscal year. When removing the balances in the purchases for resale account, the adjusting accounts should be inventories and cost of goods sold. Adequate controls must be established to insure that inventories are protected against loss from theft, damage, or deterioration.

The value of the inventory must be determined in order to be able to calculate cost of goods sold at the end of an accounting period. The values to be adjusted for remaining inventory and for cost of goods sold may be calculated for monthly closing amounts using a percentage of sales method if taking an actual inventory is not practical. An actual inventory must be completed and used for the calculation of cost of goods sold at the end of the fiscal year.

11.7.8 Consumables Inventories

Consumables inventories contain items that will eventually be consumed during the normal operation of the institution. These inventories may include:

1. Central stores types of inventories where departments are issued office supplies upon request.
2. Maintenance and janitorial supplies consumed in the normal operation of the institution.
3. Specialized types of inventories maintained to prevent utility or operational outages (such as power distribution transformers).



Inventories may be operated where the inventory is treated as an asset in accounting records with charge outs from inventory being expensed, or they may be simply expensed at the time of purchase if the amounts are considered immaterial. Some examples are:

1. A central stores inventory of office supplies should be carried as an asset in the institutions financial records with items being expensed when charged out to an operating department.
2. A small inventory of janitorial supplies may be of such a small value that it is more practical to expense the items as they are purchased instead of carrying an asset in the financial records.

Even if the items are expensed as they are purchased, adequate controls must exist to insure proper use of the items. All consumable inventories must be properly controlled to protect against loss from theft, damage, or deterioration.

Consumable inventories must have an actual physical inventory conducted at least once per fiscal year. Inventory valuations should be periodically reviewed. If the inventory contains items valued as assets for amounts higher than their current market value, an appropriate journal entry should reduce the inventory valuation with a corresponding charge to current year expense.

There should be an inventory reserve (Account Number 322xxx) for consumable inventories (Account Number 141xxx). The inventory reserve should be adjusted at each year end. The amount of the reserve equals the quarterly average of the inventory for the current year.