

# Physical Inventory Considerations

*by Sarah Jacobs, CPA, SFO, MBA, Senior Associate*

Posted on January 13, 2026



Do you know how to perform an inventory? Although it may appear straightforward, there are considerations that should be reviewed prior to commencing to avoid delays or inefficiencies. Below is a list of items to consider when planning for a physical inventory:

1. Do more asset tags need to be ordered? During an inventory, it is common to use a significant number to tag new equipment items or replace tags that have since fallen off (or were intentionally destroyed!). Before ordering more, also consider the following:
  - o Determine what the last tag number is in the prenumbered roll that the entity currently has. The new roll should begin with the next sequential number to avoid duplicate tags in the system.
  - o Review the ERP system to determine if numerous equipment assets still have temporary tag numbers.
  - o When was the last time an inventory was done? If it has been over two years, consider purchasing more tags.
  - o Do the current tags that the entity uses have barcodes? Is there a specific color that is used? Consider purchasing the same style of tags to promote consistency.
2. Who will be completing the inventory, and what is their experience with the entity? The person(s) involved in the inventory are responsible for locating equipment valued at the dollar threshold established for tracking as identified in policy. If the person(s) performing the inventory is only involved in the maintenance of the asset database, consider involving an employee who is generally aware of what equipment the entity, specific site, or department has and where it may be stored.
3. Consider the type of equipment that the entity owns. Are there equipment items that require specialized knowledge to locate? For example, network equipment such as servers, routers, and battery backups can be difficult to differentiate and locate or access if in locked equipment racks or boxes. In this example, consider involving Information Technology personnel in the inventory process.

4. Does the person(s) involved in the inventory have access to all sites, buildings, and rooms on your entity's property? If not, consider coordinating with site staff to ensure that the inventory team has a master key for the days needed or someone with a master key can assist with the inventory for the days needed.
5. When is the inventory taking place? Consider performing the inventory during a time that promotes efficiency. For example, school districts should consider fall, spring or summer break since students will not be present and instruction would not be interrupted.
6. How long will the inventory take? Consider the number of sites and equipment items currently in the asset database to determine the number of days needed at each location. It is recommended to complete all inventory days sequentially to avoid complications with items moving between locations during the ongoing inventory if possible.
7. Who is aware that the inventory project is commencing? It is recommended that all employees at the entity are made aware that an inventory is taking place. A general communication can be sent out regarding the project and to advise employees not to move equipment items during inventory days. Management should also request that to the extent possible, entity-owned equipment such as electronic devices should be left on the premises so they can be accounted for by the inventory team.
  - o Another reason to consider sending a general communication is for safety purposes. If employees are aware that an inventory is taking place, it should alleviate concerns as to why individuals are searching for items of high value. This is especially important if the inventory team consists of outside consultants.

Physical inventories are a great opportunity for an entity to validate asset records for stewardship and financial reporting. The above considerations will help ensure that the project is a success!

*The content of this article is for general information purposes only and does not constitute advice. Heinfeld, Meech & Co., P.C. tries to provide content that is true and accurate as of the date of writing; however, we give no assurance or warranty regarding the accuracy, timeliness, or applicability of any of the contents.*