

School District Physical Inventory Process

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Do you know the last time your district completed a full physical inventory over all assets?

Did you know that federal rules require an inventory of equipment to be completed every two years and that state rules require the physical inventory of equipment to be performed every three years regardless of funding source?

Property control and capital asset reporting tends to be an area a lot of school districts postpone or push off until after the close of the fiscal year. Districts need to compile numbers for reporting on the AFR, and your auditors will start asking for the audit schedules and listings for financial statement reporting and to perform an onsite stewardship review. Within the area of property control, school districts have to manage the day to day monitoring of acquisitions, transfers, and disposals through the execution of established processes. Then, at least every two years, a physical inventory of equipment must be performed to make sure that the existing asset records reflect what the district currently has on the premises.

If it is your district's year for completing a physical inventory or your district performs an inventory every year, then this article is for you! The critical steps on how to complete a full physical inventory are outlined below. It is important to note that the inventory process does not just include the physical inventory itself, but the reconciliation of the results of the inventory to the existing asset records. Many districts are able to easily go around and either scan (if a barcode asset scanner is utilized) or manually account for each asset, its location, and its condition using an Excel spreadsheet or paper inventory sheets. However, many districts do not budget for the time and attention on the post inventory portion of the inventory process. The post inventory portion includes reconciling the data back to the asset system records and initiating any required updates. We will get into that in more detail in a bit.

The following are considerations for planning and performing the annual inventory. Let's get started!

1. You have been assigned to complete a full physical inventory. Your inventory team will need to consist of you and at minimum, one other person. We also suggest incorporating in someone who works in information technology as part of the inventory team, as they will be able to easily identify technology items and will know price points.
2. The district will need to develop an inventory schedule and notify staff that all assets should be on premises during the scheduled inventory and that no assets should be moved during the time of the inventory.
3. It is recommended to complete the inventory on days or times that students are not on site. If this is not possible, try to complete the inventory during days and times that the least amount of students are present to avoid disruptions to instruction.
4. Before the inventory team can go out to each site to start the physical inventory, configuration data within the asset module should be verified as up to date by performing the following:
 1. Obtain detailed maps of each district site and agree each site, building, and room to the locations in the ERP system. If there are additional locations within the system that are not on your site maps, consider moving those assets to a generic location at that site temporarily and delete the nonexistent locations. You will then need to add locations that are listed on the site maps but are not contained within the ERP system.
 2. Consider streamlining the asset categories and subcategories that are within the system to the minimum number needed for internal and external reporting needs. Non-external reporting categories that have fewer than 10 assets within them are good candidates for elimination.
 3. Review your district's expenditure import parameters. Are they aligned to capture all capital asset costs and stewardship items as aligned with the chart of accounts?
 4. Make sure all record imports have been completed up to the date the inventory will begin.
5. If your district utilizes an asset scanning device, you will need to preload the device with asset records and locations. If your district does not utilize an electronic scanning device, you will need to extract out the district's asset data from the system in a format that can be easily utilized for inventory purposes.
6. Now you are ready to start the inventory! The inventory team will go to each site according to the inventory plan and make sure that assets in every room in every building are inventoried at every site. Do not forget to capture assets that may be outside. Also, although physical inventory requirements only reference equipment, it is also recommended that the land, land improvements, and buildings and building improvement items are reviewed for continued existence.
7. After the inventory team has completed the inventory at all district sites, this data should be reconciled back to what is listed in the ERP system. If a barcode scanner is utilized, you will upload the inventory results which will automatically add in

inventory dates to the assets that were scanned. There will be three types of situations that may occur:

1. Asset was found – Make sure there is an inventory date added within the system as documentation of the physical verification of the item.
 2. Asset was missing – Make an effort to compile a listing of all missing assets, and contact employees who may be in the department that would utilize the asset. See if they know where it is. You want to put forth effort into finding these assets before they are marked as not found.
 3. Asset is new – You may identify assets that have a historical cost in excess of the stewardship and capital thresholds that do not have tags on them. When you retag these assets and upload or enter them into the system, they are considered new in the sense that the tag placed on the item is new. It is important to review these with your existing asset records that were considered missing to see if you need to convert the old tag number to a new tag number.
8. You will need to verify all of your newly tagged assets truly did not exist in the system previously, your missing assets are no longer on district premises, and the found or located assets have inventory dates. Thereafter, you will need to get the necessary management and board approvals for the following:
1. The listing of missing assets to then add disposal dates into the system.
 2. The listing of newly tagged assets as these assets were not listed within the system and, depending on materiality, may have an effect on the financial statements. The district will have to research what the historical cost of these items are based on the estimated age of the asset.

That's all there is to it! You have now completed a physical inventory for your district.

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