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DEPARTMENT OF ADMINISTRATION

Division of Accounts and Reports

INFORMATIONAL CIRCULAR NO: 97-A-003

DATE: February 6, 1997

SUBJECT: Inventory Procedures and Requirements

EFFECTIVE DATE: Effective with Fiscal Year 1997 Inventory Reporting

A & R CONTACT: Accounting Services Section, Audit Services Team
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APPROVAL:

SUMMARY: Effective with the fiscal year 1997 inventory, agencies will not be required to submit listings to the Division of Accounts and Reports.

K.S.A. 75-3729 provides, in part, that "....The Director of the Division of Accounts and Reports shall design, devise, and direct the use of inventory records by all state agencies to show all fixed and moveable property of the state. The record shall be based on a physical inventory and shall be charged with all subsequent purchases, manufacture of property, or other methods of acquisition and shall be reduced by all property traded in, condemned or otherwise disposed of..... The state agencies may be required to take physical inventory of such properties annually and at such times as the Director may direct....." Current inventory procedures require state agencies to notify the Division of Accounts and Reports of additions, deletions, or changes in inventory by completing and submitting monthly capital outlay addition reports, forms DA-83 (Corrections or Additions to Inventory Property Records), forms DA-110 (Disposition of Property), or other relevant documentation. State agencies are required to submit to the Director of Accounts and Reports the completed inventory detail and summary reports as soon as the June capital outlay additions, and other adjustments, have been completed, but *no later than September 30*. These current inventory requirements will be in effect through the submission of the fiscal year 1996 inventory reports.

Effective with the fiscal year 1997 inventory process, state agencies will no longer be required to submit documentation of inventory additions, deletions, or other changes or a detailed inventory

listing to the Division of Accounts and Reports. Beginning with the fiscal year 1997 inventory records, the maintenance and certification of inventory records is delegated to the head of the state agency. With the exceptions noted in this informational circular, state agencies will be required to follow existing inventory policies, procedures and formats. Those established policies, procedures and formats will not be detailed in this informational circular.

Agency Responsibility

An employee in each agency should be assigned the responsibility for the maintenance and preparation of the annual inventory. Such responsibility will include the taking of a physical inventory.

An employee other than the employee responsible for inventory maintenance, preparation and physical inventory should be designated to audit the completed inventory for additions, deletions and adjustments to determine that all items are properly accounted for. Listings of inventory should be in property number order by location and should include any inventory item belonging to the state, no matter how acquired.

Inventory Date

Date requirements are not changed.

Items Included

Requirements for items included have not changed.

Items Purchased From Surplus Property

Requirement for items purchased from Surplus Property have not changed.

Inventory Record Requirements

A. Property Number - Required numeric field.

B. Expenditure Sub-Object Code - Required five digit numeric field. Identifies the expenditure classification of the item.

C. City Code - Required three character alpha field as indicated in the Standard City Code list included in the Division of Accounts and Reports Policy and Procedure Manual (PPM) filing 13,001.

D. Department Code - Optional alpha-numeric field to be used at the discretion of the agency.

E. Building Code - Optional alpha-numeric field.

F. Room Code - Optional alpha-numeric field.

G. Source Code - Required two digit numeric field as indicated in the listing of valid source codes included in PPM 13,001.

H. Date of Acquisition - Required two digit month and *four* digit numeric field reflecting the month the item was acquired. For capital outlay purchases, this should be the month and calendar year the item appeared on the DAFR8460 report.

I. Inventory Cost - Required field which should show the original cost of the inventory item. *Inventory cost may be shown to include cents, or rounded up to the nearest even dollar*. Inventory cost refers to the net cash paid (cost less discount) for the item including freight or postage and should include the amount allowed for a trade-in or any credit memo applied to the purchase. Each item on the inventory must have a cost value assigned. In the absence of actual cost data, an estimated cost should be assigned.

In the case of gifts, the fair market value of the item at the time of the gift should be used. Items purchased from State Surplus Property and items manufactured by the agency should also be reported at fair market value.

J. Description - Required field which should give sufficient information so that the item can be identified for physical inventory purposes. For example, a description should include the common name of the item (microcomputer, copier, etc.), manufacturer name, model number (if applicable), and serial number (where available). The serial number provides an efficient and reliable means of identifying a piece of property should the property number be removed, painted over, or otherwise become illegible. In the case of land, an abbreviated legal descriptions should be included. For buildings, include the name of the building and the type of construction.

Additional Inventory Record Requirement for Fiscal year 1997

Although the State of Kansas does not currently present financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB), our initiative is to move toward that goal wherever possible. Fixed asset reporting in accordance with GAAP requires the identification of the fund type for which the asset is used. Fixed assets related to specific proprietary funds, nonexpendable trust funds or pension funds are reported directly in those funds. All fixed assets not accounted for in a proprietary, nonexpendable trust or pension fund are general fixed assets and are accounted for in the General Fixed Asset Account Group (GFAAG). The STARS fund numbering system follows a pattern that provides for the basic reporting determination. Funds with numbers beginning with a 1 (State

General Fund), 2 or 3 (Special Revenue Funds), 4 (Highway Funds-a subset of Special Revenue Funds), or 8 (Capital Project Funds) report related fixed assets in the GFAAG. Funds with numbers beginning with 5 (Enterprise Funds) or 6 (Inter-Agency Service Funds) are proprietary type funds that report fixed assets in the individual funds. For funds that begin with a 7 (Trust and Agency Funds), how the fund is operated determines the appropriate fixed asset reporting. Non-expendable trust funds and pension funds report fixed assets in the individual funds. Expendable trust funds report fixed assets in the GFAAG. Funds that begin with 9 are Clearing, Refund, or Suspense Funds and generally would not have related fixed assets.

It is recognized that state agencies may not be able to accurately identify the appropriate funding notation for all previously purchased capital outlay inventory items. The agency should review its fund structure and make a good faith effort to identify the appropriate funding and use a "best judgement" approach in assigning fund notations to these items.

K. Fund - Required four digit numeric field.

1. Fund Numbers Beginning with 1,2,3,4,8 or 9 - Asset reporting notation where the fund number begins with 1,2,3,4,8 or nine should be "0000". (agencies may wish to maintain internal inventory records at the detail fund level to accommodate federal, or other, reporting requirements)

2. Fund Numbers Beginning with 5 or 6 - Asset reporting notation where the fund number begins with 5 or 6 should be the four digit STARS fund number.

3. Fund Numbers Beginning with 7. If the fund is a non-expendable trust fund, the asset reporting notation should be the four digit STARS fund number. Otherwise, the notation would be "0000."

Consumable Supplies

The summarized report of consumable supplies on hand at June 30 currently submitted as part of the Recapitulation of Inventory will also require fund notation information. The fund notation information for these consumable supplies should be readily available, since the purchases would have, in all likelihood, been made during the fiscal year being reported.

Inventory Reporting Requirements

Although state agencies will no longer be required to submit detailed inventory listings and notification of additions, deletions or changes to the Division of Accounts and Reports, inventory records maintained by the agency must include, at a minimum, the information set forth above.

State agencies will be required to submit to the Division of Accounts and Reports, not later that September 30 following the close of the fiscal year, the following forms/reports:

1. Certification of Inventory (Form DA82)

2. Recapitulation of Inventory (Form DA80)

3. Inventory General Reconciliation Worksheet (Form DA80A)

4. Fund Summary

    a. Fixed Assets

    b. Consumable Supplies

Although the Division of Accounts and Reports will no longer perform a "desk audit" of inventories to insure that all additions, deletions or changes have been accounted for, "on-site visits" will be scheduled for the purpose of performing random sample observation of inventory records. Agencies should maintain records in such a manner as to facilitate the physical verification of inventory items.

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