

Client Agency Policy & Operations Manual

SECTION: 70 Asset Management

NUMBER: SCS-70-010

TITLE: Inventory Management, Control and Reporting

EFFECTIVE DATE: 5-6-02

APPROVED: Signature on file in State Controller's Division

**PURPOSE and/or
RESULTS DESIRED:**

This policy is designed to assure SCS Client Agencies establish and maintain adequate control over inventories and are in compliance with reporting requirements.

AUTHORITY:

[ORS 293.590](#) Department to supervise state agency accounting; furnishing accounting services.

[OAM 15.50.00](#) Inventories

[OAM 15.55.00](#) Non-Capital Assets

[OAM 15.60.10](#) Capital Assets: Classification and Capitalization

[Property Self-Insurance Policy Manual](#) Risk Management Division, DAS

APPLICABILITY:

Client agencies assigned and/or contracting for accounting, budgeting, and financial reporting services with the State Controller's Division, DAS.

POLICY:

SCS client agencies must manage inventories in a fiscally responsible manner. The client agencies' decisions on how to best manage inventories should be governed by public stewardship, risk management and internal control concerns.

GUIDELINES:

I. Inventory Management Overview

- A. SCS client agency inventories generally consist of materials for future consumption (i.e. office supplies), goods for resale (i.e. licenses), and office equipment or furniture.
- B. SCS client agency heads are responsible to ensure state assets including supplies, equipment, furniture, and goods held for resale are not lost or stolen.
- C. Inventories should be managed in a manner consistent with the needs of the client agency and the level of risk it is exposed to:
 1. Asset management
 2. Profit/loss tracking
 3. Risk management – theft or loss
 4. Risk management – manipulation or fraud

II. Asset Management

- A. Any asset used in client agency operations with an initial cost of \$5000 and a useful life of one year or greater must be properly accounted for in accordance with [OAM 15.60.10](#).
- B. Any item critical to the operation of a client agency should be properly accounted for and controlled (i.e. loss would result in significant work stoppage).

III. Profit/Loss Tracking

- A. Physical inventories of all significant goods held for resale should be taken annually in accordance with [OAM 15.50.00](#).
- B. When client agencies hold inventories for resale it may be desirable to conduct periodic physical inventories to track profit or loss.
- C. Periodic inventories should be conducted in a manner consistent with the level revenue generated and/or number of transactions. (i.e. annual inventories may be adequate for low level of sales and revenue, but monthly or quarterly inventory may be appropriate for items with a high turnover rate and/or high cost per unit.)

IV. Risk Management – Theft or Loss

- A. It is recommended that client agencies identify and control items that have a high risk of loss such as:
 - 1. Computers and laptops
 - 2. Cameras
 - 3. Cell phones and pagers
 - 4. Hand tools
 - 5. Any other items the client agency identifies as having a high risk of loss.
- B. All high-risk items should be identified by an appropriate means (i.e. State of Oregon ID tag, Agency name and phone number engraved on item, maintain list of serial numbers with photographic evidence of items.)
- C. Client agency heads are responsible to ensure an annual Risk Report is submitted to Risk Management Division, DAS. This report should include any items to be covered by the [Risk Management Property Self-Insurance Policy](#).

V. Risk Management – Manipulation or Fraud

- A. It is recommended that client agencies identify and control items susceptible to manipulation and fraud (i.e. licenses).
- B. Client agency heads shall ensure proper inventory management practices are used to prevent fraudulent use of client agency property.
- C. Physical inventories and internal control measures should be consistent with the level of risk (theft, loss, or misuse) the client agency is exposed to.

VI. Physical Inventories

- A. Physical inventories of all significant materials, supplies and goods held for resale should be taken annually, and appropriate adjustments made to the accounting records to reflect any changes identified.
- B. A record of inventories completed should be maintained by the client agency.

- C. Small inventories of office supplies and equipment (i.e. less than a total of \$1000) do not need to be inventoried provided there is physical and/or other controls in place to prevent loss or theft.
- D. For items not requiring a physical inventory, SCS client agencies should maintain an accurate accounting of amount invested.
- E. For equipment and furnishings less than \$5000 it is recommended that a written inventory or a videotaped or photographic catalog be maintained in a safe location.

VII. Reporting

- A. SCS Client agencies are responsible for submitting all necessary documentation and accounting of inventories taken to SCS in a timely manner.
- B. SCS will review and process inventory accounting for fiscal year end reports according to the level of service provided each agency.
- C. SCS will provide guidance to all client agencies undertaking physical inventories and will help to determine if discrepancies exist.

PROCEDURES:

<u>Step</u>	<u>Responsible Party</u>	<u>Action</u>
1.	Client Agency Head	Ensure inventory management and control is adequate to prevent loss, theft or fraudulent use of state assets.
2.	Client Agency	Conduct physical inventories consistent with policy in regards to client agency's exposure to risk and compliance with state policy. Support that a physical inventory has been taken should be retained by the client agency.
3.	Client Agency Head	Review physical inventories and investigate any discrepancies.
4.	Client Agency Head	Submit inventory accounting documents, including any adjustments or explanation of discrepancies to SCS for review and processing.