SUBJECT: Financial Affairs
Policy: 507.1 Annual Inventory
Effective: November 2014   Revised:   Reviewed: September 2019

Introduction and Purpose
Departments with resale inventories shall conduct a yearly inventory for financial statement reporting purposes in order to provide consistency from year to year in recording, valuation, and reporting of inventories. Adherence to these procedures will help ensure that each inventory will be properly conducted, valued, and reported.

Policy
The inventory shall be conducted as close to June 30th fiscal year-end as possible.

If possible, the area where the inventory is to be conducted shall be closed during the actual inventory. The departments shall notify anyone who may use products being inventoried.

Once the inventory dates have been decided upon, two-person inventory counting teams shall be established. Persons who participate in the inventory count should not also have continuing regular responsibility for that inventory.

At least 30 days prior to the actual inventory, the inventory supervisor shall notify the Director of Operations, in writing, of the locations and times of the planned inventory. The inventory supervisor should also:
• prepare the inventory count sheets to be used,
• categorize the inventory by physical location or by major classification, and
• schedule the two-person inventory teams.

The inventory supervisor shall prepare the final inventory report, which shall reflect the inventory as of June 30th. The final report will take into account adjustments for:
• Additions to the inventory (at cost) for goods received since the inventory was conducted, but prior to June 30th, and
• Deletions from the inventory (at cost) for sales and use of goods since the inventory was conducted, but prior to June 30th.

The final report will reflect the:
• general types or categories of goods inventoried,
• costs of each category,
• method used to value the inventory if not the lower of cost or the market value,
• total inventory value.

The final inventory report should be prepared by the inventory supervisor and approved by the department head. Copies shall be sent to Director of Operations by the established deadline. The report will be used to adjust financial records to reflect an accurate valuation of inventory. The inventory count sheets should be retained by the department for three fiscal years then may be destroyed.

All inventories are subject to audit at any time by either internal or external auditors. Adherence to established inventory procedures and guidelines is necessary to ensure accurate financial reporting.
Definitions

Standards of Practice  Rules, procedures, or guidelines developed by campus authorities to permit, restrict, or require actions within the parameters of the enterprise policy.

Responsible Party  Individual, title, position or group responsible for authority and review of policy or standard of practice.