

Inventory Observation Instructions/Procedures

Department _____ Location _____ Observation Date _____

Operating Unit, Account, and Class _____

Type of Inventory _____ Observed by _____ Ext _____

Inventory Supervisor _____ Ext _____ Accountant _____ Ext _____

Inventory Type: Perpetual Periodic Inventory Count: Cycle Full Revised 10/14/10

Inventory Observation Instructions/Procedures	Initial	Date
1. Confirm inventory observation Date and Time. Forward this information to your Financial Services accountant.		
2. Determine the Type of inventory and corresponding Operating Unit, Account, and Class		
3. Review their inventory observation procedures. Make any necessary adjustments to the procedures to ensure the inventory count will be reliable. If no written instructions are available determine if verbal instructions given to those performing the count are adequate.		
4. Determine if inventory items are adequately labeled (item #, description, and location).		
5. Determine if the count sheets to record the observed inventory contain the following information: Inventory Item #, Description, Quantity, and Location. (Note: quantities should <u>not</u> be pre-printed on the count sheets.)		
6. If the inventory is cycle counted, review inventory system adjustments resulting from physical counts for the most recent cycle counts covering 100% of the inventory. If the adjustments are greater than 10% consider the need for a full inventory count.		
7. If the inventory location is not closed during the count, confirm that items coming in or out of the inventory are properly recorded and reconciled to the count sheets.		
8. Review inventory locations. Determine if all inventories have been counted.		
9. Re-count several items (20-30). Be sure to include high dollar and high turnover items in your count. Resolve any differences between your count and theirs. Consider the need to recount the inventory if differences are greater than 10%.		
10. If the inventory count is not taken at the end of the month verify subsequent inventory purchases and disbursements through the end of the month have been added or subtracted from the count balance prior to reconciling to the General Ledger.		
11. Identify slow moving (items not likely to be sold or used within a reasonable time period, not to exceed three years), obsolete, excessive, or damaged items. See that they are identified in the physical counts. Verify an inventory reserve/allowance (Account 1399 and 4909) has been created or adjusted for these items.		
12. For inventory items disposed of during the year, verify the "Asset Write-off Policy" was followed.		
13. After count sheet quantities have been entered into the inventory system determine if department management has reviewed reasons for adjustments in excess of 5% of the total inventory. Attach their explanations, resolutions, and corrective action to be taken to reduce future adjustments.		
14. Verify inventories are valued at the lower of cost or market. Acceptable costing methodologies are first in first out (FIFO), weighted average, or standard unit cost.		
15. Verify a detailed price-out inventory listing has been created and reconciled to the General Ledger. The General Ledger balance should be adjusted to agree to the priced-out listing, as adjusted for items that have been received into or removed from the inventory but not yet reflected in the general ledger balance (e.g. unbilled receipts from vendors, item usage or sales, spoilage, etc....). Forward a copy of the inventory reconciliation and a copy of this completed form to your Financial Services accountant.		

In my opinion, the inventories described in this document exist and are accurately stated in the University's Financial System. I have observed the inventory, taken test counts, and certify there are no material misstatements in the inventory balances.

Inventory Supervisor

Controller/Accountant