INSTRUCTIONS FOR CONDUCTING THE ANNUAL PHYSICAL INVENTORY

Attached is the inventory of equipment and/or controlled property in your custody. An annual physical inventory must be performed to ensure that property listed on the report is accounted for and accurately described, and that all items no longer useable or needed are transferred or retired. Asset Representatives should not perform the physical inventory of property under their custody. The custodial department shall assign personnel other than the asset representative or principal investigator to conduct the physical inventory.

1. Accountability

   a. When conducting your physical inventory, each item listed on the “Annual Inventory Verification Report as of 06/30/2018” should be located and examined. The physical inventory must be performed systematically by a wall-to-wall, floor-by-floor inspection.

   b. If an item cannot be found, an investigation and thorough search should be conducted. All items which cannot be located during the physical inventory must be reported as missing by processing an Asset Retirement Global (ARG) e-Doc in the KFS Capital Asset Management (CAM) module. A completed and signed copy of the Form RMP-001, State of Hawai`i Report of Loss or Damage of State Property, as well as any other pertinent supporting documents must be attached to the ARG e-Doc in the Notes and Attachments tab. **Indicate the ARG e-Doc number next to the asset number on the Annual Inventory Verification Report.**

   c. Found property meeting the capitalization criteria for equipment should be reported via a memorandum to the Capital Asset Accounting Office (CAAO). The memorandum should provide the circumstances surrounding the discovery of the found property as well as the information required to establish the asset record in CAM (i.e., asset description, manufacturer, model number, serial number, organization owner account number, value, asset representative, and location).

2. Accuracy

   a. At the time of the physical inventory verification, the information contained in the annual inventory report should be checked for accuracy.

   b. Any errors in the asset record such as the asset description, manufacturer, model number, serial number, location and asset representative should be corrected by processing the appropriate CAM maintenance e-Doc. **Indicate the CAM maintenance e-Doc number next to the asset number on the Annual Inventory Verification Report.**
c. Asset records with missing asset information such as manufacturer, model number, serial number, and room number should also be updated in KFS. **Indicate the CAM maintenance e-Doc number next to the asset number on the Annual Inventory Verification Report.**

3. **University Asset Tags and Federal Property Tags**

   a. Inventorial personal property is identified by an asset tag with a unique University of Hawai`i (UH) control number thereon. Additionally, inventorial personal property owned by the Federal Government is identified by a red tag stating “Property of U.S. Government.”

   b. The individual conducting the physical inventory shall verify the UH asset tag and federal property tag (if applicable) are physically affixed to the property.

   c. The property shall remain so identified by such asset tag and federal property tag (if applicable) as long as it is in the custody, possession or control of the UH.

   d. The asset representative or custodial department is responsible for physically affixing the UH tag and the federal property tag to new acquisitions promptly.

   e. In those situations where UH asset tags and federal property tags are impracticable to place onto the property or no longer adhere to the property because of age or physical exposure, alternate methods or alternate records shall be maintained by the custodial department, asset representative or fiscal administrator to indicate location and description of property.

4. **Asset Transfer and Asset Retirement**

   a. Any item that is deemed damaged beyond economic repair, no longer useable or needed, or obsolete shall be transferred or retired. For property vesting with the sponsor, approval shall be obtained from the sponsor prior to the transfer or retirement.

   b. An Asset Transfer e-Doc should be processed to transfer property to another organization within the University. Input the organization owner chart of accounts code, account number and FO code of the receiving organization as well as location, and asset representative as applicable. **Indicate the Asset Transfer e-Doc number next to the asset number on the Annual Inventory Verification Report.**
c. An Asset Retirement Global (ARG) e-Doc should be submitted to request approval prior to physically disposing an asset. For property vesting with the sponsor, a copy of the extramural sponsor’s approval to retire the asset should be attached to the e-Doc. **Indicate the ARG e-Doc number next to the asset number on the Annual Inventory Verification Report.**

Should you have any questions about these procedures, you should consult with your fiscal administrator or AP 8.540, Physical Inventory.

**After completion of the physical inventory, the certification statement at the end of the report shall be signed by the individual conducting the physical inventory.** Signing the certification statement indicates that equipment listed is in agreement with the physical inventory; that unless otherwise noted, all items were found to be in use, useable and needed; and equipment records that are not in agreement with the physical inventory will be promptly updated by submitting the appropriate CAM maintenance e-Doc. **CAAO will not accept annual reports certified by the asset representative.**

Upon completion of the physical inventory but **no later than October 12, 2018**, the fiscal administrative office shall submit to CAAO a scanned PDF copy of the certified “Annual Inventory Verification Report as of 06/30/2018.” The completed and certified scanned PDF copies of the annual reports (all pages per asset representative) should be e-mailed to caao@hawaii.edu.