SPO 160- Inventory Management Training

Slide 1 - Inventory Management Training Title Page

This is a recorded webinar of Inventory Management Training. On this opening slide, you will find our contact information.   You can also find the inventory manual, which provides you with a detail and complete information on SPO website. Moreover, the inventory FAQs and forms are also posted on SPO website.

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The purpose of this training class is to give an overview of requirements of the State Inventory Management System and some instructions in filling of SPO Form 17A, the Detail Inventory of Property.

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Why should we maintain accurate inventory records? Because state properties are purchased using public monies, so accurate inventory records demonstrate the government sense of responsibility and accountability to the public. It also includes on the State Annual Financial Report, that is used by auditors in the annual financial audit, and accurate inventory records will result in a favorable auditor's opinion. It is important because it leads to higher bond rating and lower interest rate, when borrowing for CIP. Furthermore, the law mandates the property custodian to submit an annual inventory of property with a sworn statement.

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Accountability of State Property. It means the responsibility for maintaining continuous records, reporting the location and condition, ensuring proper usage, safekeeping, and maintenance of all property. Responsibility is assigned to property custodians at different levels in an organization. To ensure proper controls, it should be assigned to positions with authority or who use the property in a daily basis. This flow chart shows a sample of responsibility assignment. Here we have, the department administrator might assign the division administrator, who then may have the branch section or unit head, to assign each location custodian record keeper to manage each used properties.

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For Internal Control requirements, each property custodian shall complete the SPO Form 23 for establishing, enforcing and maintaining written internal control procedures of state property. The next two slides will provide instructions on completing this form.

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On the first page, complete the organization and property custodian information, then have the property custodian to sign it. Then the record-keeper shall be assigned with providing the name, position and phone no. This person will be responsible for all activities listed under the record keeping of property.

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Under the Proper use of property, provide the name, position and phone number for the person who will be responsible for point number 1, 3 and 4. The property custodian will be responsible for point number 2. For safekeeping of property, point number 2 and 3 should be assigned to the property custodian or record keeper, point 4 for the record keeper and point 5 for the property custodian, and the rest shall be assigned to someone who will be responsible for those activities. Again, provide the responsible person's name, position and phone number for safeguards for property and care and maintenance of property.

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Reportable State Property. The first one is the property regardless of cost or expected life, such as land and interest in land, weapons, works of art and historical treasures. The second one is non-expendable property with a unit cost of one thousand dollars or more and useful life of more than one year includes land improvements, building and its improvements, vehicles, equipment, and infrastructures. The last one is controlled items, such as computer, photographic, video and communication equipment with a unit cost two hundred and fifty dollars to below one thousand dollars. They may be recorded individually or as a group and the property custodian may also report other items that are critical to the agency's operation. You can find more information in Chapter 5 on the manual.

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The property shall be recorded to the System in the quarter of the fiscal year when the agency receives it or when the agency assumes responsibility for maintaining the property. For the recording value, purchased or constructed property shall include the invoice or contract price and all of its expenditures. Do not include trade-in credit. For the transferred property, the value is what was recorded by the losing agency. Donation or payment of a nominal amount should be based on either: Fair market value, which is the amount the property could be exchanged between two parties or estimated market value, which may be calculated from catalogs, price quotes, recent sale of comparable items, or other reliable sources.

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Supplies are not required to be reported to the system and they include items that are consumed or loses its identity in use, such as paper, pencil or others that are used within one year, and items that are not consumed in use and are below the threshold or are not considered controlled items, such as chair, desk, or other that are not consumed in use, below the reporting threshold, and not considered as controlled items. Agencies are required to maintain internal control records if their annual supplies expenditures exceed five thousand dollars and all items with a unit cost of two hundred and fifty dollars to less than one thousand dollars. The internal control shall contain information on purchases, usage, transfers and disposals. The supplies annual physical inventory must be conducted every year and the property custodian shall approve disposal of supplies.

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Next topic is the disposal application. There are basically three major reasons on why the agency needs to prepare the disposal application. First one is excess to the agency needs. Under this reason, the agency is required to offer the property to other state agencies, either within their department, or other agencies with listing the property on SPO Excess List. This screen shows on how to find the list on the SPO website with its login and password. If there is an interest agency, prepare the transfer of property form (SPO 26), which is available on the SPO website, and after completed, the record shall be removed thru SPO 17A, detail inventory of property form that will be discussed later.

If no interest agency, then submit the disposal application. Second reason is obsolete or broken beyond economical repair, then submit the disposal application. The third reason is lost or damaged. Under this lost and damaged, it shall be investigated immediately and report to the local police department. Determination of the cause and implementation of controls to prevent future incidents shall be explained in details on the disposal application and all supporting documents, such as the police report and the internal control procedures for state property or SPO form 23.

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Chapter 8 on the inventory manual provides details information on the disposal application process. To briefly review it, for regular disposal, use the method of disposal that is provided on the manual page 8-1. For items above one thousand dollars, weapons, works of art, historical treasures and real property, the approval of the administrator of the state procurement office is required. For items below one thousand dollars, the department head or someone who is designated by the department head may approve the disposal requests. After approval, the physical disposal of property must be witness by a person with no inventory responsibilities and sign the certificate of disposal or SPO form 34, which will be submitted to the department inventory person, who will then forward it to SPO. For lost, stolen or damaged items, the approval of the administrator of the state procurement office is required for items above five hundred dollars. The department head or someone who is designated by the department head may approve for items below five hundred dollars. Damaged items require the method of physical disposal and the certificate of disposal. The record shall be removed thru SPO 17A, detail inventory of property form that will be discussed later.

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On this slide, we have the reporting cycle. First quarter updates ended as of Sept 30, the SPO form 17A shall be submitted by October 15 and Second quarter updates ended Dec 31, the form is due by January 15. On February, SPO IMO will provide the MDB Report 33, which shall be used for conducting the required annual wall to wall physical inventory. Then, the SPO form 17A shall be submitted by April 15 for the third quarter updates ended as of March 31 and the fourth quarter updates ended as of June 30, the form is due by July 15. Around August, IMO will provide the MDB Report 20, the annual inventory report of property. Then, the annual summary of inventories report is required to be submitted by September 15.

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This flow chart shows the process of quarterly inventory update. Here we find how the user needs to submit the SPO form 17A to the division, which will then submit it to the department admin or fiscal office, then they will submit it to IMO for audits. Depends on the results, the form will be forwarded to ICSD to keypunch the transactions for updating the master file, or it may be returned to the agency for corrections. After the updating process is completed, the MDB Report 12, inventory transaction register, will be provided to the agency, which will then distribute the report to each users who submitted the form 17A. Then, the user needs to identify and correct any rejected transactions, which are posted with error codes.

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This is a sample of MDB 20, annual inventory report of property. IMO will send this report around august, after the 4th quarter update process. This report is sorted by the Org code, Location code, Property code and description, and Maintenance control number. If you need to assign a new maintenance control number, you can use the number in between these assigned 10 increment numbers. You will find the org code and location code header title on the top part. On this sample, the asterisk shows for an item removed last fiscal year and its disposal code and value are in removed column.

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Next is a sample of source document. The value of property shall include the purchase price and all expenditures. Do not include the trade-in credit. Add the item to your inventory if it meets the reporting requirement with SPO Form 17A and don't forget to assign a decal number.

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Next we have a sample of transfer of property or SPO form 26. This form is used for transferring property between state agency. The losing agency needs to assign the transfer document number (in this case, fiscal year-document number), page number and date. The losing agency also need to complete the losing sections and column 1 to 7 with making sure to fill the name of gaining agency, have the property custodian to sign and date, and the pickup person signs the form. Then, the original and 2 copies to the gaining agency, and keep 1 copy for the losing agency suspense file. Follow up to make sure that the gaining agency completed the form before removing from your inventory. For the gaining agency, complete the gaining section and column 8 to 10 and have the property custodian to sign and date. Forward the original to Inventory Management Office and one copy to the losing agency, and add to inventory record with SPO Form 17A.

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Now we will begin the updating process thru SPO Form 17A for the previous transfer sample. The form itself provides a very straight forward guideline on what need to fill in on this form. In this slide, you will have a sample on how to fill the 17A for removing a property. X is the removal transactions code and fill

up all required information on each columns with using the current MDB 20 report. Make sure to use the maintenance control number from your most current MDB 20. For this removing transactions, fill in the removal code and value on the removed column. For removal code 1 and 3, provide the approved disposal application number, code number 2 require the transfer document number and attach a completed copy of that transfer document, and code 6 require the duplicate item's maintenance control number.

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On this slide, we have a sample of disposal application, and chapter 8 on the manual provide you with more information about this application. Remember to make sure that the certificate of disposal, form 34, is completed and sent to IMO. And again, when preparing the 17A for this removal transactions, make sure that the item's maintenance control number is based on the most current MDB 20 report.

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This is a sample on how the 17A looks like for removal transactions from the disposal application on the previous slide. Again, X is the removal transactions code and fill up all required information on each columns with using the current MDB 20 report. Don't forget to include the disposal application number.

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Change Transaction. This code is to change a record information, such as: fund, item class, and description. One single transaction may change for more than one information. This sample shows on how to change the item class, description and value increase. Use the code number 6 for changes to fund, item class, description, fiscal year and decal no. Code 8 is for the value. If the value is decreased, make sure to fill in the code and value on the removed column.

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In this slide, we have an example to combine two TV sets into one line controlled group item. Use the Op code D to delete the two TV sets, followed by an add transaction to combine it. For the add transaction, make sure you change the property code, assign a new maintenance number, change the quantity, update the description, input asterisk for an approximate year if needed, and total cost of 2 TV sets. Decal number is not required. This delete transaction also uses for correcting Org Code, Property, Location code, or Maintenance Control Number. For this type of transaction, the add transaction must follow to correct the field. This transaction also used to delete org code and location code headers, but no add transaction is required.

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After all of previous transaction's samples, finally, you will find a sample of completed 17A on this slide. For any building improvements, try to indicate which building on the description.

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And here, we have a sample of MDB Report 12 or transaction register. This report shows all transactions what were submitted from the 17A. In this sample, you will see the transfer-out transaction shows an error code of DB017 because of wrong cost value, so you need to resubmit 17A with the correct value. All of transactions from the previous samples, such as: disposal, purchase, change and create a group item are shown on this report. Also, please note on this sample, where the maintenance control number is wrong, and it caused a wrong item, in this case a bookcase, was deleted. So, you need to resubmit 17A to add the bookcase back and delete the TV with a correct maintenance control number.

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To briefly review it, MDB Report 12 lists all transactions submitted on the 17A, Error code will appear in the last column, and the report serves as the formal transaction register for audit purposes. Please make sure to identify any error codes with comparing the submitted 17A against the printout and submit another 17A to correct the errors.

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What we have on this slide is the list of Error codes, such as DB 001 is an error code for add transaction with duplicated maintenance control number and you can also find this list on the manual page 9-29.

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To summarize, you may submit the 17A anytime during the quarter. Add transactions require assignment of maintenance control number. Make sure to use the maintenance control number that identifies the item for delete, removal and change transactions. Maintenance control number changes every fiscal year. Delete is followed by an add transactions, except deleting of headers. Removal transactions require justification in the description column, such as disposal application number, transfer document number (and attach a copy), and the maintenance control number for duplicate items. Resubmit the original transaction for any error codes on the MDB Report 12.

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This is concluded our inventory management training webinar and please contact us for any questions. Please remember to fill out the following survey. Thank you very much.