



# Inventory Management

SPO 160

## Audience

Department head, property custodian and inventory personnel involved with controlling and reporting property owned by the State of Hawaii.

## Topics

- Accountability of State Property
- Reporting Requirements
- Disposal Application Process
- Inventory Reporting Process
- References

## Regulations

- Hawaii Revised Statutes (HRS) §103D, Part XII
- Hawaii Administrative Rules (HAR) §3-130



## Accountability of State Property

A well-maintained inventory demonstrates to the public the legitimacy of expenditures as well as the government’s sense of responsibility for the proper care and maintenance of assets purchased with public funds.

### Importance of Inventory Maintenance

Accurate records result in a favorable auditor’s opinion of the General Fixed Asset Account Group. Inventory records are included in the *State of Hawaii Comprehensive Annual Financial Report* and used by independent auditors in the Annual Financial Audit of the State. When records show fiscal responsibility, it allows the State to earn a higher bond rating and lower interest rate when borrowing funds for Capital Improvement Projects.

### Accountability (HAR §3-130-2)

Property custodians must maintain continuous records, periodically reporting the location and condition of property; and ensure proper usage, safekeeping, and maintenance of that property.

### Fixed Asset Inventory System (FAIS)

Inventory records are maintained electronically through the FAIS. Each State agency is assigned one or more accounts in the system and responsible for updating the inventory for these accounts.

## Reporting Requirements

Custodians must record and track property that meets the requirements listed in the following table. Custodians may also record items that are vital to the agency’s operations. For more information about this topic, see Chapter 5 of the SPO’s *Inventory System User Manual*.

Category	Requirements	Examples
<b>Mandatory Reporting</b>	Report regardless of cost or expected life of use	<ul style="list-style-type: none"> <li>• Land and Interest in Land</li> <li>• Weapons</li> <li>• Works of Art</li> <li>• Historical Treasures</li> </ul>
<b>Non-Expendable</b>	Report when it has a unit cost of at least \$1,000 and expected useful life of more than a year	<ul style="list-style-type: none"> <li>• Buildings</li> <li>• Land/Building Improvements</li> <li>• Vehicles/Equipment</li> <li>• Infrastructure Assets</li> </ul>
<b>Controlled (Theft-Sensitive)</b>	Report when it is between \$250-\$999.99 in value and expected useful life of more than a year	<ul style="list-style-type: none"> <li>• Computers</li> <li>• Photographic, Video, and Entertainment Equipment</li> </ul>
<b>Consumable</b>	Maintain written internal control records when the annual expenditure for such items exceeds \$5,000	<ul style="list-style-type: none"> <li>• Pens</li> <li>• Paper</li> </ul>
<b>Non-Consumable</b>	Maintain written internal control records when the unit cost between \$250-\$999.99 in value	<ul style="list-style-type: none"> <li>• Desks</li> <li>• Chairs</li> </ul>



**IMPORTANT:** Per HRS §103D-1205 and HAR §3-130-4, the designated property custodian is responsible for establishing, enforcing, and maintaining written internal control procedures to ensure accountability of state property. Each agency should complete form *SPO-023, Internal Control Procedures for State Property*.

### Inventory Control Forms

The property custodian is responsible for preparing and submitting the SPO forms that are used to enter inventory transactions in the FAIS.

Transaction	Description	SPO Forms
<b>Purchase</b>	Properties, which meet the reporting threshold, are purchased through buying and other methods of acquisition.	<ul style="list-style-type: none"> <li>• <i>SPO-017A, Detail Inventory of Property</i></li> </ul>
<b>Transfer</b>	Property may be transferred from one State agency to another when no longer needed.	<ul style="list-style-type: none"> <li>• <i>SPO-017A, Detail Inventory of Property</i></li> <li>• <i>SPO-026, Transfer of Property</i></li> </ul>
<b>Disposal</b>	Items that are no longer usable are removed from inventory records. The department head and/or designated property custodian approves all disposals.	<ul style="list-style-type: none"> <li>• <i>SPO-017A, Detail Inventory of Property</i></li> <li>• <i>Disposal Application</i></li> <li>• <i>SPO-034, Certificate of Disposal</i></li> </ul>

#### ***SPO-017A, Detail Inventory of Property***

When processing inventory transactions on form *SPO-017A*, all data fields must be completed. If the FAIS identifies a missing field or other type of error, it generates an error code on *MDB Report 012, Inventory Transaction Register*. For more information about completing this form, see Chapter 9 of the SPO's *Inventory System User Manual*.

**IMPORTANT:** Property must be recorded in the FAIS within the fiscal quarter in which it was received or assumed responsibility.

#### ***SPO-026, Transfer of Property***

This form is used to transfer property from one State agency to another State agency, department, or jurisdiction. It must be completed before and/or during the actual physical transferred process. For more information about completing this form, see Chapter 7 of the SPO's *Inventory System User Manual*.



## Disposal Application Process

Over time, furniture and other goods used by your agency may be disposed of, traded in for a replacement, sold, or donated. Depending on how your agency plans to remove the property from your inventory, in addition to documenting the disposal on form *SPO-017A*, there are other steps in the disposal process that must be followed.

**IMPORTANT:** Always offer property (following the Surplus FAQ found on <https://spo.hawaii.gov/faqs/>) to the Surplus Property Office before submitting a disposal.

Reason	Additional Steps
Excess of Needs	<ol style="list-style-type: none"> <li>1. Submit form <i>SPO-019, Excess State Property</i></li> <li>2. Transfer to an interested agency using form <i>SPO-026</i>, or submit <i>Disposal Application</i> and form <i>SPO-034</i> if no agency is interested</li> </ol>
Obsolete or Broken	<ol style="list-style-type: none"> <li>1. Submit <i>Disposal Application</i></li> <li>2. Submit form <i>SPO-034</i></li> </ol>
Lost, Stolen, or Damaged	<ol style="list-style-type: none"> <li>1. Investigate immediately and report to local police department or, when appropriate, the State Attorney General, Investigation Division.</li> <li>2. Submit <i>Disposal Application</i> with the Lost State Property format.</li> </ol>

For more information about completing the *Disposal Application*, see Chapter 8 of the SPO’s *Inventory System User Manual*.

## Inventory Reporting Process

All SPO forms and MDB reports provide the means for the State to track accountability of state property through the FAIS. The FAIS generates these reports based on the information in the SPO forms submitted by each department.

Report	Use	Frequency
<b><i>MDB Report 012, Inventory Transaction Register</i></b>	Receipt for any submitted inventory transactions via form <i>SPO-017A</i> during the quarter, including rejected transactions	Quarterly
<b><i>MDB Report 020, Annual Inventory Report of Property</i></b>	Annual reporting of all reported inventory for the fiscal year	Annually (August)
<b><i>MDB Report 033, Detail Inventory of Property</i></b>	Annual completion of “wall-to-wall” physical inventory	Annually (February)
<b><i>MDB Report 042, Inventory Change Register</i></b>	List of all matching current active records on the Master Inventory File that indicates changes accomplished on these records	As Required
<b><i>MDB Report 044, Inventory Transaction Register</i></b>	Official list of information related to the transactions requested in <i>MDB Report 042</i> for audit	As Required

## Inventory Management



### Steps for Inventory Reporting

A few steps must be completed before an agency can generate one of these inventory reports.

1. Agency submits form *SPO-017A* to Department Fiscal or Administrative Office
2. Inventory Management Office (IMO) audits the form
3. Information and Communication Services Division (ICSD) updates the master inventory file in the FAIS
4. System generates *MDB Report 012*
5. Agency reconciles transaction errors

<b>SPO-017A Due to IMO</b>
October 15
January 15
April 15
July 15

**NOTE:** To learn more about the reconciliation process, see pages 9-26 through 9-29 in the SPO's *Inventory System User Manual*.

### Key Points for Inventory Reporting

- You may submit form *SPO-017A* any time during the quarter.
- The fiscal year is July 1 to June 30. Ensure *SPO-017A* forms only account for inventory up to the established quarter end dates of September 30, December 31, March 31, and June 30.
- Deleted transactions must be followed by corrective added transactions.
- Removal transactions require justification.
- Maintenance control numbers change every fiscal year. Verify these numbers on the latest *MDB Report 020*. You must assign each new record a maintenance control number. See page 9-6 in the SPO's *Inventory System User Manual* for more information on how to assign maintenance control number.



## References

### Procurement Statutes and Rules

<http://spo.hawaii.gov/references/hrs/>

- HRS §103D, Part XII (*Inventory Management; State and County Property*)

<http://spo.hawaii.gov/references/har/goods>

- HAR §3-130 (*Inventory Management*)

### SPO Inventory System User Manual

<https://spo.hawaii.gov/wp-content/uploads/2019/09/Inventory-System-User-Manual.pdf>

This manual is a great resource to help manage and safeguard state property, maintain up-to-date property records, provide a basis for insurance coverage, maximize resource utilization, and clarify maintenance responsibilities.

### SPO Forms

<https://spo.hawaii.gov/all-forms/>

- SPO-017, *Annual Detail Inventory of Property (For counties only)*
- SPO-017A, *Detail Inventory of Property*
- SPO-017B, *Annual Summary of Inventories Report*
- SPO-017BTrans, *Property Custodian Delegation of Authority*
- SPO-019, *Excess State Property*
- SPO-023, *Internal Control Procedures for State Property*
- SPO-026, *Transfer of Property*
- SPO-034, *Certificate of Disposal*

### Surplus Property Office

<http://spo.hawaii.gov/for-state-county-personnel/programs/surplus-property/>

### Procurement Forms

<http://spo.hawaii.gov/all-forms/>

SPO Contact Information		SPO Inventory Contact Information
Website	<a href="http://spo.hawaii.gov">http://spo.hawaii.gov</a>	
E-Mail	<a href="mailto:state.procurement.office@hawaii.gov">state.procurement.office@hawaii.gov</a>	<a href="mailto:inventory.management.office@hawaii.gov">inventory.management.office@hawaii.gov</a>
Phone	808-586-0554	808-586-0574