

## SAMPLE – CALIFORNIA SCHOOL DISTRICT INVENTORY MEMO AND PROECUDRAL GUIDE

### **(1) Please provide the date of and procedures to be used for the physical inventory of each fund that records inventory.**

We have two distinct processing departments that are responsible for managing different types of assets: **General assets** and **capital assets**. Capital assets refer to any item that has a value of more than \$500. Each department has its own set of responsibilities and procedures for conducting physical inventory, with slight variations in the way inventory is recorded and funding is allocated between the two departments. These differences are intentional, and serve to optimize the efficiency and accuracy of our inventory management and financial reporting processes.

Our asset management standards require the asset team to execute onsite inventory on a yearly or as-needed basis to ensure that all assets are accounted for and up to date. The results of this inventory are then put into a detailed report that is given to the principal or their chosen representative at the school. It is, nevertheless, the obligation of each school site to keep correct and up-to-date internal inventory records.

Following the completion of each inventory update, the asset staff carefully compares the inventory reports for accuracy. If any items have been inventoried previously but are not found on site, the principal or their designated representative will be given a period of one week to provide a valid justification for the absence of such items. If no satisfactory explanation is provided, the missing items will be reported to the School Police as stolen.

#### **Set Procedural Times**

In the **General Asset** department, the physical inventory is conducted during the last week of the fiscal year, which falls in June. To ensure the accuracy of the inventory records, the warehouse is temporarily shut down for a period of three days to allow the asset staff to perform a thorough inventory check. The results of this inventory are then processed through two systems: TWS and Smart-E Tools, to ensure the accuracy and completeness of the records.

To ensure compliance with state requirements, the **Capital Asset** department undergoes inventory at least once every two years. However, recognizing the practical needs of our organization, we conduct inventory at least once a year. In addition, we continuously engage in inventory procedures, as items are frequently moved from one location to another. This ongoing inventory process allows us to maintain an accurate and up-to-date record of all assets.

#### **Inventory Processing Methods**

During the inventory process, we document the location of each asset and the school to which it is assigned, as well as any transfers that may have occurred. To facilitate equipment transfers of capital assets, attendees must complete an Equipment Transfer Request form, which is then forwarded to the Warehouse Department - Asset Section for processing. The principal or department administrator must authorize the Equipment Transfer Request, while equipment purchased with Restricted Funds must be approved by the Senior Director of Special Projects.

Once the Equipment Transfer Request has been authorized, the Asset Section schedules pickup and delivery within two working days or at the best available time of receipt of the request. When an

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employee is transferred to another school, they are only permitted to take personal items that have been purchased with their own funds. Any items paid for by the district, school-connected organizations or grants must remain at the initial location, unless the principals of both schools make special arrangements that serve the best interests of the district-wide instructional program. Unauthorized equipment transfers will be promptly returned to the allocated site and reported to the site's administration.

As the majority of our capital assets consist of computers, it is particularly important to ensure that our inventory records are accurate and up-to-date. Therefore, we update our inventory system whenever there is a move from one school to another. This is done using a web-based system called Front Line, which is accessible to authorized personnel. However, only trained personnel are permitted to edit the database in Front Line, to maintain the integrity of our asset records.

By following these procedures, we can ensure that our capital assets are effectively managed and that we maintain accurate and up-to-date inventory records.

### **Procedures for Equipment Grantees and Subgrantees**

Title to equipment acquired through a grant or subgrant vests in the grantee or subgrantee, upon acquisition, subject to specified requirements and limitations. If a state receives a grant, the equipment must be used, managed, and disposed of in line with state laws and regulations. The following processes apply to other grantees and subgrantees:

**Use:** The grantee or subgrantee must use the equipment for the program or project for which it was purchased. When it is no longer required for the original program or project, it may be used in other Federally supported activities. The grantee or subgrantee must make equipment accessible for use on other Federal Government-sponsored projects or programs, with priority given to other programs or projects supported by the granting agency. Unless specifically permitted or envisaged by Federal statute, the grantee or subgrantee may not utilize grant-funded equipment to provide services for a fee that competes unfairly with private enterprises that provide identical services. When purchasing replacement equipment, the grantee or subgrantee may use the old equipment as a trade-in or sell the property and use the money to offset the cost of the new equipment.

**Management requirements:** Procedures for managing equipment until disposition must adhere to certain guidelines. Property records must be kept, which include a description of the property, a serial or identification number, who has title, the date and cost of acquisition, the proportion of Federal participation in the cost, the location, usage, and condition of the property, and any eventual disposition data. At least once every two years, a physical inventory of the property must be taken, and a control system must be designed to provide adequate precautions against loss, damage, or theft. To keep the property in excellent shape, adequate maintenance procedures must be created, as must correct sales procedures if the grantee or subgrantee is authorized or obligated to sell the land.

**Disposition:** When grant-purchased equipment is no longer required for the original project or program, or for additional activities currently or previously supported by a Federal agency, it must be disposed of in compliance with certain rules. Items with a per-unit fair market value of less than \$5,000 may be kept, sold, or disposed of without additional responsibility to the awarding agency. Items with a per-unit fair market value of \$5,000 or more may be maintained or sold, with the

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awarding agency entitled to a part of the earnings. If a grantee or subgrantee fails to take appropriate disposition activities, the awarding agency may direct that excess and disposition actions be taken.

**Federal equipment:** If a grantee or subgrantee receives federally owned equipment, title remains with the federal government, and the grantee or subgrantee is required to manage the equipment in accordance with Federal agency rules and procedures, as well as submit an annual inventory listing. When the grantee or subgrantee no longer needs the equipment, the grantee or subgrantee must request disposition instructions from the Federal agency.

**Right to transfer title:** The Federal awarding agency may reserve the right to transfer title to the Federal Government or a third party named by the awarding agency. Such transfers shall be subject to specific standards.

### **(2) What accounting method is used to record inventory for each fund that records inventory?**

In order to maintain accurate financial records, it is important to understand the accounting methods used to record inventory for each fund that records inventory. For the General Assets department, the TWS and SMARTE tools are utilized. For every purchase order (PO) that has a purchase number, there is a funding method matched. In other words, the PO from the purchasing department is matched to the funds for that PO, and is manually entered into the system. Once the accounting department receives the PO, it can be paid for from the associated fund. After receiving the purchased asset, it is tagged, and the serial number is written down.

**For the General Assets department, only the PO is matched to the associated fund. However, for Capital Assets, there are additional requirements that must be followed.** The Superintendent or designee is responsible for maintaining an inventory of all property, and the following information must be recorded: name and description of the property, name of titleholder, serial number or other identification number, cost of the property, acquisition date, location of use, and any ultimate disposition data including the date and method of disposal and sale price.

It is important that the following are recorded: Source of the property (funding source), use and condition of property, and percentage of federal participation in the cost of the property for items acquired with federal funds. Physical inventory must be conducted annually, and the results must be reconciled with the property records. Copies of all district inventories are kept in the district office. By following these procedures, the accounting department can maintain accurate financial records for each fund that records inventory.

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**(3) Identify the amount of adjustment made to adjust the physical count to the general ledger.**

Procedures are designed to guarantee that all product information matches between the purchasing department, vendor, and accounting department, in order to keep correct financial records. We match the serial number, acquisition date, PO number, description, and price to the information provided by the purchasing department when we get a product. If any discrepancies are discovered, an investigation is conducted to find the source and rectify the problem.

To ensure that all parties are aware of any changes to the product information, we contact the purchasing department, vendor, and accounting to confirm that the changes are correct and obtain approval. If any changes are made, we update the records accordingly to maintain accuracy.

In cases where a physical inventory count differs from the general ledger, we conduct an investigation to identify the source of the discrepancy. If an adjustment is necessary, we make sure to document the amount of adjustment made to reconcile the physical count to the general ledger. This information is then provided to management for review and approval to ensure compliance with established policies and procedures.

**(4) Please describe internal control procedures over the following areas:**

**(4a) Stores inventory receiving, storage, and distribution to end user**

These procedures ensure that all equipment and materials received by the school are inspected, logged, and distributed correctly. This helps to prevent any discrepancies or errors that could result in the loss, damage, or theft of school property. See Appendix A for a visual representation of the process.

**Receiving Process:** When a vendor arrives, school staff inspects the shipment for quality, accuracy, and discrepancies upon delivery. If the items are in good condition, they are brought to the CUSD Warehouse for processing.

**Storage Process:** Once at the warehouse, the equipment is stored in an asset room or mezzanine cage, depending on whether they are capital assets or general assets. The items are scheduled for processing, and purchase orders are assigned to the shipments. Copies of the PO are sent to the accounting department for accounting inventory records and distribution of payment.

**Processing:** All information associated with the equipment and PO, such as the serial number, make, site, purchase date, date processed, cost, and funding source, is identified and logged using an equipment log sheet. A “Property of CUSD” barcode is generated for the equipment.

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**Scanning and Engraving Process:** Using an inventory scanner, the equipment is scanned, and its serial number is noted on the box. The district barcode is also attached to the equipment, and identifying info associated with the equipment and PO number is inputted into the scanner. The information from the scanner is uploaded to the inventory database. All identifying information is engraved on the equipment according to district procedures and the GASB 34 mandate.

**Delivery Process:** Once the equipment is processed and scanned, a copy of the purchase order is sent by email to all parties involved, including the principal/administrator and the initiator of the request for purchase. Processed computer equipment is stored in the warehouse until the site makes a request for delivery. The warehouse asset staff then delivers the computers to the site or department.

**Inventory Process:** All electronic equipment is inventoried at the school site or department, and asset inventory reports and forms are provided to the school/departments of any changes, loss, theft, and discrepancies. All other equipment is delivered immediately to the site/department.

By following these internal control procedures, the school ensures that all items received are processed and distributed correctly.

### **(4b) Method and frequency of performing inventory counts/reconciliations**

Our two processing departments, General Assets and Capital Assets, each have their own set of physical inventory responsibilities and procedures. These distinctions are deliberate, and they serve to improve the efficiency and accuracy of our inventory management and financial reporting systems.

The asset team is required to execute onsite asset inventory on a yearly or as needed basis to ensure that all assets are accounted for and up to date. The results of this inventory are compiled into a detailed report that is given to the principal or their designated representative at the school. Each school site is responsible for keeping correct and up-to-date internal inventory records.

The asset crew analyzes inventory reports for correctness after each inventory update. If any items are missing, the principal or their designated representative will have one week to provide a valid justification for their absence. If no reasonable explanation is given, the missing objects will be reported stolen to the School Police.

The physical inventory is performed in the **General Asset** department during the last week of the fiscal year, which is in June. The warehouse will be closed for three days to allow the asset staff to conduct a thorough inventory check. To verify the accuracy and completeness of the records, the findings of this inventory are processed through two systems: TWS and Smart-E Tools.

The **Capital Asset** department conducts inventory at least once every two years to verify compliance with state standards. Recognizing our organization's practical needs, we do inventory at least once a year. Furthermore, because items are frequently moved from one location to another,

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we are constantly engaged in inventory procedures. We can keep an accurate and up-to-date record of all assets thanks to this continual inventory procedure.

We capture the location of each item and the school to which it is assigned, as well as any transfers that may have occurred, during the inventory process. Attendees must submit an **Equipment Transfer Request** form to facilitate **capital asset** equipment transfers, which is subsequently forwarded to the Warehouse Department - Asset Section for processing. The Equipment Transfer Request must be authorized by the principal or department administrator, while equipment acquired using Restricted Funds must be approved by the Senior Director of Special Projects.

Once the Equipment Transfer Request has been approved, the Asset Section schedules collection and delivery within two working days or at the best available time after the request is received. When an employee is transferred to another school, they are only allowed to bring personal belongings purchased with their own money. Unless the principals of both schools make special arrangements that serve the best interests of the district-wide instructional program, any things paid for by the district, school-connected organizations, or grants must remain at the original location. Unauthorized equipment transfers will be returned to the assigned site as soon as possible and reported to the site's administration.

Because computers make up the majority of our **capital assets**, we use a web-based system called **Front Line** to update our inventory system whenever a student moves from one school to another. Only trained individuals are permitted to alter the Front Line database.

### **(4c) Capital assets tracking system including process for adding, tracking, and disposal**

Compton Unified School District has invested in both fixed and non-fixed assets to serve its purpose of education and research. The Warehouse Asset Inventory Department verifies that assets are bought, accounted for, maintained, and disposed of correctly in accordance with state rules, federal regulations, audit requirements, and generally accepted accounting principles. The Asset staff instructs and reports on inventory to department heads, school sites, and other employees appointed to handle assets, equipment transfers, property receiving, and disposals. This handbook seeks to provide a thorough overview of the Warehouse Asset Management Section's inventory accountability policies and processes for capital assets.

**Adding Capital Assets:** Capital asset acquisition must adhere to the Compton Unified School District's Ed Code Section 35168 and AR 3512(c) rules. The Asset Section is in charge of entering assets into the tracking system. A Receipt of District Property Form (Exhibit 3) must be completed and lodged with the proper administrator. When receiving non-fixed equipment, employees must sign a Receipt of District Property Form. The Warehouse Asset Management Section keeps the original document, and a copy of this form is provided to the employee, department, Human Resources Division, and Payroll Department. The Human Resources Division notifies the Warehouse Asset Management Section and the Payroll Department of pending terminations of personnel allocated to non-fixed equipment.

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**Tracking Capital Assets:** The Warehouse Asset Inventory Department oversees capital asset tracking throughout the firm. The tracking system must keep accurate and up-to-date records of all capital assets, including the asset's location and school assignment, as well as any transfers that may have taken place. The Asset Section will schedule the pickup and delivery of equipment within two (2) working days of receiving the request, or at the best available time.

Attendees must submit an Equipment Transfer Request form to facilitate capital asset equipment transfers, which is subsequently forwarded to the Warehouse Department - Asset Section for processing. The Equipment Transfer Request must be authorized by the principal or department administrator, while equipment acquired using Restricted Funds must be approved by the Senior Director of Special Projects. When an employee is transferred to another school, they are only allowed to take personal items purchased with their own money with them. Unless the principals of both schools make special arrangements that serve the best interests of the district-wide instructional program, any items paid for by the district, school-connected organizations, or grants must remain at the original location. Unauthorized equipment transfers will be returned to the assigned site and reported to the administration.

The Asset staff will conduct an annual or as needed onsite asset inventory to ensure that all assets are accounted for and up to date. The school site oversees keeping correct and up-to-date internal inventory records. The Asset staff will compare reports for accuracy after each inventory update. The principal or their designee will have one week to justify any previously inventoried items that are not present on site. All unjustified items will be reported stolen to the School Police.

**Disposal of Capital Assets:** In order to dispose of obsolete and/or non-functioning equipment and materials, individuals must complete a Request to Dispose of Equipment/Materials Form (Exhibit 2). The completed form should be forwarded to the Warehouse Asset Management Section, which will schedule and arrange pick-up of the equipment and materials in accordance with Board policy. This process ensures that asset records are maintained accurately, as required by the appropriate education code.

When district-owned books, equipment, and supplies become unusable, obsolete, or are no longer needed, the Superintendent or their designee is responsible for identifying these items and presenting them to the Board of Trustees, along with their estimated value. The Superintendent or designee must recommend the method of disposal or sale for these items, in accordance with legal and administrative regulations. Once the Board of Trustees approves the recommendation, the Superintendent or designee will oversee the sale or disposal process.

To initiate the disposal process, individuals must fill out a Request to Dispose of CUSD Equipment/Materials Form and submit it via email or fax to the Warehouse Department, Asset Inventory Section. The Warehouse Department will then review the request and schedule pick-up of the items. The availability of storage space will determine the pick-up schedule until disposal is completed. If necessary, the asset staff will provide pallets and shrink wrap for the plant staff to prepare the materials for pick-up.

**Receipt of District Property:** When receiving district property, employees must fill out and file a Receipt of District Property Form (Exhibit 3) with the appropriate administrator. By doing so, the employee assumes responsibility for the safekeeping and return of the equipment.

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If an employee is assigned non-fixed equipment during their employment, they must sign a Receipt of District Property Form upon receiving the equipment. The Warehouse Asset Management Section will retain the original copy of the form, while copies will be distributed to the employee, department, Human Resources Division, and the Payroll Department. The Human Resources Division is responsible for notifying the Warehouse Asset Management Section and the Payroll Department of any pending terminations for employees assigned non-fixed equipment.

Terminating employees must provide a signed copy of the Receipt of District Property Form, including the date returned, the name of the person receiving the equipment, their title, and a completed return approval. The employee's final paycheck will not be released until the equipment has been returned in the condition it was received.

Employees and students are required to use district equipment only for school-related tasks. The Superintendent or designee is responsible for ensuring that all employees understand that personal use of district equipment is prohibited and that any violation may result in disciplinary action.

**Theft:** An employee must report the theft of assets to their Principal/Department Head immediately. The Principal/Department must contact School Police, Risk Management and Asset employees within a day. An investigation will be done by School Police and Asset staff. All tracking software will be activated and added to the system. National Database for Stolen Property and removed from sites inventory.