

## SPA Policy and Procedures

### Inventory Controls

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#### Tagging of Inventory

##### Definition

Unit basis: Single identifiable asset components on which property information is created and maintained.

##### Authority

TEX. GOV'T CODE ANN. sec. 403.271(e) (Vernon Supp. 1997) reads:

"A state agency shall mark and identify state property in its possession. The agency shall follow the rules issued by the comptroller in marking state property."

##### Policy

All property identified within the State Property Accounting System classification structure must, at a minimum, be marked or tagged as property owned by the State of Texas.

The comptroller will advise agencies as to any new or changed rules regarding the tagging of assets.

##### Procedure

All State of Texas personal property shall be permanently marked as property of the State of Texas. Marking shall be considered permanent when the marking can be removed only through considerable or intentional means.

Each item of personal property tracked on a unit basis must be assigned a unique property inventory number. Agencies may not replace a new piece of property with a unique property inventory number previously assigned to another piece of property, even if the previous item has been deleted from the inventory system.

Agencies may choose to track property using appropriate labeling methods as long as they meet guidelines established by the comptroller in consultation with the State Auditor's Office. Both "Property of the State of Texas" labels and property number labels must be placed in a highly visible position on the asset, where it is easily accessible during an inventory. Agencies must locate labels in a consistent manner, by category, in order to facilitate physical inventories.

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## Physical Inventory

### Authority

TEX. GOV'T CODE ANN. sec. 403.273(f), (g) (Vernon Supp. 1997). reads:

"(f) On the date prescribed by the comptroller, a state agency shall make a complete physical inventory of all property in its possession. The inventory must be completed once each year.

(g) Within 45 days after the inventory date prescribed by the comptroller, the head of each state agency shall forward to the comptroller a signed statement describing the method used to verify the inventory and a copy of the inventory."

TEX. GOV'T CODE ANN. sec. 403.277 (Vernon Supp. 1997) reads:

"If a state agency fails to keep the records or fails to take the annual physical inventory required by this subchapter, the comptroller may refuse to draw warrants or initiate electronic funds transfers on behalf of the agency."

### Policy

A physical inventory of all personal property must be completed at least once a year. Agencies must use accepted practices to conduct their annual inventories.

An agency can perform a physical inventory at any time during the year.

The head of each state agency must provide the comptroller with a signed statement that includes all information pertinent to the physical inventory. An example of this form, *Certification of Physical Inventory Conducted by Agency*, can be found in the *SPA User's Manual Forms Section*.

State property on loan to another state agency is considered the responsibility of the loaning agency for physical inventory purposes. Personal property that is transferred or reassigned to another state agency must be accounted for in the physical inventory of the reassigning or transferring agency, until such time as the transfer or reassignment transaction is complete according to the policy and procedures of the comptroller.

Personal property that is being processed as missing, stolen, salvage, or surplus is considered the responsibility of the custodian agency and must be reported during the physical inventory until it has been deleted from agency records, as approved\* by the State Auditor, in accordance with comptroller policy and procedures.

Any agency that fails to keep records or take the annual inventory as required may lose access to state warrants and electronic transfers of funds.

### Procedure

The agency must assure that each property item is still within the agency's possession, that it is able to identify the location of its property, and provide the name(s) of the person(s) responsible for the property.

The condition of each property item must be evaluated during an annual physical inventory. Condition of all property must be reported to the State Property Accounting System no less than once annually.

Agencies may use any acceptable means to conduct an inventory of property. However, an agency should assign persons who have no normal responsibilities for the entering or reporting of personal property to conduct the inventory. Inventory should be conducted by a team of two or more individuals.

Any discrepancies in property information detected during the conduct of a physical inventory must be reported to the comptroller immediately, through the use of the State Property Accounting System. A reason must be provided for each discrepancy. Discrepancies include items in the process of being transferred, processed as reassignable property, listed as salvage or surplus, or reported as missing or stolen.

The documentation provided to the comptroller must include the date the inventory was taken, the method(s) used to conduct the inventory, the name(s) of the individual(s) conducting the inventory, and a summary of the values received from the inventory.

In addition to the required annual physical inventory agencies are encouraged to conduct more frequent inventories to assure the accuracy of reported personal property information. An inventory should be conducted at a time when the agency has as much control over the inventory as possible.

Periodic inventories may use statistical sampling, dollar sampling techniques, or other acceptable methods on a regularly scheduled basis. As a general rule, property verified using a statistical sampling population of 1% or greater of the total database should be reconciled to master records within 95% accuracy.

\*See endnote at conclusion of this chapter for explanation.

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## Securing of Assets

### Authority

TEX. GOV'T CODE ANN. sec. 403.273(a) (Vernon Supp. 1997) reads:

"The head of each state agency is responsible for the custody and care of state property in the agency's possession."

TEX. GOV'T CODE ANN. sec. 403.273(b) (Vernon Supp. 1997) reads:

"All personal property owned by the state shall be accounted for by the agency that possesses the property. The comptroller shall define personal property by rule for the purposes of this subchapter. In adopting rules the comptroller shall consider the value of the property, its expected useful life, and the cost of record keeping. The comptroller shall consult with the state auditor in drafting rules. The state auditor shall cooperate with the comptroller by giving technical assistance and advice."

## Policy

Each agency is responsible for ensuring that assets are tracked and secured in the manner that is most likely to prevent the theft, loss, damage, or misuse of assets. The agency must take all necessary precautions to ensure that assets are secured.

Agencies must know where all assets are located at all times, should have a method for locating any inventory item whether on-site or off-site under their control, and should be able to locate a given item upon request.

The State Auditor will, at the request of an agency, provide advice about procedures for the securing of assets.

## Procedure

Each agency should be diligent to assure building security at all times. The agency should ensure that individuals in charge of security apprise the property manager of violations or changes to security that could subject personal property to misuse or theft.

Each agency is also responsible for determining the location of any property in its possession at all times.

## Procedure

Property that is checked out to an employee must be used for state purposes only, and the responsibilities of stewardship and care of the property are maintained at the agency level. Each agency must have a written policy about checking out personal property and require each employee to sign for any property when it is checked out.

\*Note: The approval process imposed upon the State Auditor should not be considered as a requirement for deleting property from the inventory records. The method for and the approval of deleting items may only be exercised by the comptroller. It is the agency's responsibility to establish and maintain acceptable controls over fixed assets and to notify the Attorney General's Office and law enforcement agencies of stolen property. The State Auditor's approval represents a certification that the requesting agency has exerted reasonable control over the asset and notified the proper agencies for missing and/or stolen items. See Op. Tex. Att'y Gen. No. JM-872 (1988) for further information.

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