

**Baltimore County Public Schools**  
**Department of Business Services**  
**Distribution & Print Services**

<b>Subject:</b> PHYSICAL INVENTORY		<b>Operating Procedure:</b> OP 5004.1	
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**Policy:**

A periodic verification will be made of the actual quantity on hand and stored value, as compared with the book count and book value. This periodic verification (physical inventory) will be made quarterly.

**Procedures:**

FUNDAMENTALS OF PHYSICAL INVENTORY

A sound physical inventory must account every item stored for which accountability has been established.

When the physical inventory count is completed and total value computed, it will be accepted as correct and the book value will be adjusted accordingly.

The concept of inventory as a conversion of cash demands the same accuracy in verification of physical stock as transactions involving purchase of supplies and issue.

The original stock count may be verified by a recount or a check-count taken by another employee.

Stock record entry adjustments as a result of differences between actual and book count will be kept at a minimum.

Discrepancies in physical inventory will be investigated and resolved before adjustment to stock record. Reasons for discrepancies will be reviewed so that recurrence can be avoided or reduced.

PHYSICAL INVENTORY PLANNING / PRE-COUNTING ACTIVITIES

The time required to count stock and verify quantities is generally extensive and each step of the procedure will be based on sound planning.

The available man-hour capacities of the warehouse Management Team and Staff will be evaluated and the time required to count stock by commodity classifications or group will be estimated.

The physical inventory will be scheduled at a period that does not conflict with peak loads in the storage and distribution operations.

The physical inventory date will be established well in advance with notification in writing to all involved, Audit, Fiscal Services, Controller.

The cutoff date will be established and verified by copies of the last receiving report and issue ticket for the period. Copies will be made available to the Office of Audit and others as appropriate. Notification to customers and vendors will be handled as appropriate.

Inventory count sheets, will be requested well ahead of time as the date and cutoff are established.

Written procedures will be issued to all involved and discussions of same will be scheduled.

The selection of personnel to participate in the physical inventory will consist of teams from the Office of Distribution Services, and Offices as appropriate.

Team assignments will be posted and reviewed before counting takes place.

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The teams will be under the direction of the Supervisor, Office of Distribution Services or his/her designee. Each team will be responsible for a group(s) of items or an entire section of the building.

Items will be stored in one location only with the exception of overflow area for case stock.

All stock will be clean and neatly arranged for ease of access and counting.

Palletized stock will be leveled off and partial pallets will be combined. Partial pallets will be labeled.

Each item will be tagged with the correct item number.

The warehouse will be cleaned of all excess packing materials, trash and other debris.

No production, shipping, receiving or movement of goods will occur during the physical inventory.

Items received after the cutoff will be segregated and marked as such.

Damaged goods will be removed from inventory and labeled as such.

Items belonging to other agencies will be labeled as such and counted.

#### PHYSICAL INVENTORY COUNTING PROCEDURES:

The methods used will be based on Generally Accepted Accounting Procedures, proven and established industry standards and practices and will comply with all Board of Education Baltimore County, Maryland, Policies and Rules.

The counting process will be a “wall to wall” type activity.

Counting teams will consist of one (1) recorder and one (1) counter.

Each recorder will control the pace and activity of the team.

The recorder will maintain the inventory count sheet, separate from the counter, and record all counts. The recorder will record the date of the count and the team members names on the count sheet.

A count will be recorded for each item of the warehouse stock.

The recorder will compare the count received from the counter to the book count and will accept the count as true and accurate and record the count in the column marked “actual count” or will request a second count.

If the recorder is confident the second count is correct the count will be recorded in the “actual count” column with a notation to recount and the inventory Supervisor will assign the item to a different team.

As each item is counted and the count is recorded the counter/recorder will place a colored sticker on the item or item location to indicate that the item has been counted and recorded.

All item discrepancies will be investigated and resolved to the satisfaction of the inventory Supervisor before any adjustment is made to the stock record.

Stock record adjustments will be made and recorded on “Adjustment Charts” as approved.

All adjustments will be reviewed by the inventory Supervisor and others as appropriate.

The inventory Supervisor will prepare and submit a summary report of all inventory activities and findings to the Manager, Distribution Services and others as appropriate.