

CHAPTER 6. PHYSICAL INVENTORY

- 6-1 POLICY. All HUD-owned and rented reportable property must be inventoried once every two years, at a minimum. Capitalized, noncapitalized, and rented reportable property shall be inventoried concurrently. Inventories will be conducted with bar code readers, which can be used automatically to update the Department's Furniture and Equipment Management Information System (FEMIS). The Accountable Property Officers (APOs) are required to reconcile exceptions reflected in the FEMIS for their property accounts.
- 6-2 RESPONSIBILITIES.
- A. The Chief, Property and Supply Branch (P&SB), as Departmental Property management Officer (DPMO), is responsible for scheduling inventories in Headquarters, notifying Accountable Property Officers (APOs) of planned inventories, conducting physical inventories, establishing or updating FEMIS records, and reconciling acquisitions and dispositions on an annual basis with the Office of Finance and Accounting.
 - B. The Director, Administrative Services Division (ASD) or Administrative and Management Services Division (AMSD), as the Regional Accountable Property Officer (RAPO), has responsibilities identical to those in paragraph 6-2A for the Regional and Field Offices within his or her jurisdictional areas.
 - C. Field Office Accountable Property Officers (APOs) are responsible for notifying employees of planned inventories conducted by Regional Office staff and preparing form HUD 21018, Furniture and Equipment Management Information System Data Entry Worksheet, to reflect any changes to current inventories and to assist in resolutions of local discrepancies during inventory reconciliations.
 - D. Headquarters Accountable Property Officers (APOs) are responsible for notifying employees of planned inventories, assisting P&SB staff during the conduct of physical inventories, and assisting in resolution of discrepancies during inventory reconciliations.
 - E. HUD Employees are responsible for having property on personal charge available for verification and counting during inventories and for identifying privately-owned property to those conducting the inventory.
- 6-3 OBSERVATION BY AUDIT AND ACCOUNTING PERSONNEL. Audit and accounting personnel may observe the conduct of the physical inventory at any location to assure compliance with established inventory and accounting procedures. A copy of the inventory schedule showing

specific dates of planned inventories, shall be provided to the Office of Inspector General and the Office of Finance and Accounting in Headquarters by the Director, Facilities Operations Division, (FOD). Regional Directors, Administrative Services Divisions, or Administrative and Management Services Divisions, shall provide inventory schedules to the Regional Inspector Generals and Regional Accounting Divisions to include planned inventories in Regional and Field Offices. The Office of Inspector General and Office of Finance and Accounting staff and their Field counterparts may, but are not required to, provide advance notice of their participation to offices conducting inventories.

- 6-4 INVENTORY SCHEDULE. All accountable property must be inventoried biennially in accordance with physical inventory schedules established by the Chief, Property and Supply Branch, for Headquarters, and Directors, Administrative Services Divisions/ Administrative and Management Services Divisions, in the Regions. Inventory schedules are prepared annually, and submitted by November 15 to the Director, Facilities Operations Division. The Director, Office of Administrative and Management Services (OAMS), and the Regional Directors, Office of Administration (DOA), may request the conduct of special inventories at any time. The Official directing the conduct of a scheduled or special inventory must notify the appropriate audit and accounting offices in advance.
- 6-5 NOTICE TO EMPLOYEES. Prior to conducting an inventory, employees shall be notified in writing of the following:
- A. Planned start and completion dates.
 - B. Movement of items from the immediate area shall be prohibited to preclude counting items more than once or not counting them at all during the inventory.
 - C. Bar coded Government property on personal charge to individuals must be visible and identified.
 - D. Sensitive and portable items that are normally secured in cabinets, credenzas, or desks must be available.
 - E. Privately-owned property must be clearly marked and identified to preclude being counted as Government property.
 - F. If the inventory is conducted during nonworking hours, the APO will arrange to inventory sensitive, portable, and other secured equipment during working hours since compliance with paragraph 6-5D would not otherwise be feasible.

6-6 INVENTORY TEAMS. Inventory teams should be composed of employees experience an fully trained in the requirements of the FEMIS, including item identification and operation of the Intermec Bar Code Reader.

- A. Headquarters. The Property and Supply Branch (P&SB) shall:
 - 1. Conduct all inventories of personal property in Headquarters.
 - 2. Process all inventory data into FEMIS to update property records, identify discrepancies, and reconcile records as required with assistance of the APO.
- B. Regional Office. The Director, ASD/AMSD shall:
 - 1. Appoint inventory teams to conduct inventories in the Regional and Field Offices.
 - 2. Designate staff responsibilities for FEMIS inventory processing and reconciliation of Regional and Field Offices inventories.
- C. Field Office. The Accountable Property Officer (APO) shall:
 - 1. Assist Regional inventory teams as required.
 - 2. Designate staff responsibilities for inventory documentation and coordination with the Regional Office.
- D. Changes of APOs. An APO who is leaving an organization shall assist in the transfer of property accountability by conducting a special inventory to verify, update, or reconcile FEMIS records prior to his/her departure, as determined necessary by the organization's principal administrative manager or supervisor.
 - 1. In Headquarters, P&SB staff shall assist in conducting this special inventory upon request.
 - 2. In Regional and Field Offices, the composition and responsibilities of special inventory teams shall be determined as in subparagraphs 6-6 B and C, above.

6-7 INVENTORY REQUIREMENTS AND PROCEDURES. Detailed procedures for scheduling, coordinating, and conducting an inventory are described in the FEMIS User Manual available from the Property and Supply Branch (P&SB) in Headquarters. The procedures, which include mandatory requirements, are phased to facilitate control of the inventory process. For the duration of the inventory, no property will be issued to, picked up from, or physically moved within the organization, except to meet emergency requirements. The following

categories of property are not to be included in the property inventory and must be clearly marked or identified before the conduct of the inventory to preclude entry into the Department's property records: privately-owned, demonstration and contractor-owned, and nonaccountable Government-owned property as defined in paragraph 3-10.A 4. The phases and requirements are as follows:

- A. Phase I - Pre-inventory. The Accountable Property Officer (APO) of the organization to be inventoried and the Inventory Team coordinate the following actions:
 - 1. Scheduling the inventory by FEMIS account codes.
 - 2. Establishing a cut-off date for property transactions. (The close of business on the day preceding the start date of a physical inventory is the cut-off date. Property received by an organization through the inventory cut-off date shall be included in the inventory.)
 - 3. Notification to employees.
 - 4. Review of the organization structure and layout.
 - 5. Identifying property assigned to the organization being inventoried.

- B. Phase II - During Inventory.
 - 1. The APO is responsible for:
 - a. Assuring that no property moves during the inventory period.
 - b. Processing receiving reports without delay during the conduct of the inventory to ensure timely payments by the accounting office. (This requirement applies even though property may be held in a storage area for delivery upon inventory completion.)
 - c. Assuring prompt reporting of lost, stolen, damaged, or unaccounted for property in accordance with Chapter 9 of this Handbook.
 - 2. The Inventory Team is responsible for:
 - a. Conducting the physical inventory of accountable personal property to include owned, rented, and property on personal charge.

- b. Bar Code Labels shall be placed on unlabeled Government-owned equipment. Bar Code Labels shall be placed in accordance with the FEMIS User Manual.
- c. Assuring that rented equipment is bar-coded and correctly entered in FEMIS records. The annual rental cost is entered as the unit cost.
- d. Providing an exit briefing to the APO.

C. Phase III - Post Inventory

1. The Departmental Property Management Officer (DPMO) in Headquarters, the Regional Accountable Property Officer (RAPO) in the Regional Offices, and the Accountable Property Officers (APOs) in Field Offices are responsible for the following:
 - a. Establishing a restart date for processing of requests and property transactions. (The restart date is the day immediately following completion of the physical inventory.)
 - b. Releasing property and/or requests for property held in suspense between the cut-off and restart dates. (This results in resumption of property movement to, from, and within the organization which has been inventoried.)
 - c. Updating FEMIS records for actions taken following release of property on the restart date.
 - d. Reviewing results of reconciliation effort and determining discrepancies requiring referral to the Property Survey Board.
 - e. Providing the accounting office with a written statement outlining adjustments which should be made in general ledger accounts as part of the reconciliation.
2. The Inventory Team is responsible for:
 - a. Reconciling exception reports within thirty days after completion of the physical inventory.
 - b. Updating FEMIS records within 10 workdays when reconciliation of exceptions warrants changes.