

**TO: ALL COUNTY PERSONNEL**  
**FROM: VERDENIA C. BAKER**  
**COUNTY ADMINISTRATOR**  
**PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT & BUDGET (OFMB)**  
**SUBJECT: INVENTORY OF PARTS & SUPPLIES**  
**PPM#: CW-F-059**

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<b><u>ISSUE DATE</u></b>	<b><u>EFFECTIVE DATE</u></b>
<b>June 12, 2018</b>	<b>June 12, 2018</b>

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**PURPOSE:**

To establish a county-wide policy with respect to procedures for the inventory of parts and supplies.

**UPDATES:**

Future updates of this PPM are the responsibility of the Director of Financial Management and Budget

**AUTHORITY:**

1. Palm Beach County Administrative Code, Section 308.03, as may be amended.
2. Codification of Governmental Accounting and Financial Reporting Standards, as may be amended.

**DEFINITIONS:**

1. **Inventory**  
Stores of goods and stocks with distinct physical and financial attributes. The utility, materiality, or service potential justifies the classification of inventory as a current asset of the governmental unit that controls it. Inventory is considered an expenditure either when it is purchased (purchases method) or when used (consumption method).
2. **Expenditures**  
Decreases in net financial resources.
3. **Non spendable Fund Balance**  
Amounts that are not in a spendable form (such as inventory or prepaid amounts) or are required to be maintained intact (such as the corpus of an endowment fund).
4. **Consumption Method**  
Acquisitions are recorded initially in the Assets Section of the Balance Sheet as inventory and charged as expenditures when used. Equity reserve for inventories need not be established unless minimum amounts of inventory must be maintained and thus are not available for use (expenditure).

5. **Purchases Method**  
Inventories are recorded as expenditures upon acquisition. Significant inventories on hand at year-end are reflected in the Assets Section of the Balance Sheet and are fully reserved in the Equity Section. Any significant amount of inventory reported on the Balance Sheet should be offset by a reservation of Fund Balance.
6. **Periodic Valuation**  
A process for determining quantities of goods on hand and determining inventory values, through the use of recurring physical counts of each unit, which is then multiplied by the unit cost.
7. **Perpetual Valuation**  
A system for controlling inventory and determining inventory values, through the use of an ongoing detailed record of additions and usage to achieve an updated inventory balance, which is then multiplied by a unit cost. Physical inventory counts are performed periodically to check accuracy of the perpetual records.
8. **First-In, First-Out (FIFO)**  
A method of inventory costing which assumes costs flow through operations chronologically -- that is, costs of merchandise should be charged as expense in the order in which costs were incurred. In practice, this method assumes the most recent costs are used as the basis for valuing inventory items.
9. **Last-In, First-Out (LIFO)**  
A method of inventory costing which matches current costs with current revenues -- that is, it assumes the most recent unit costs are used as the basis for recording expense.
10. **Average Cost (AC)**  
A method of inventory costing based on the assumption that costs should be charged in accordance with the weighted average unit costs of the merchandise.
11. **Cycle Counts**  
An inventory auditing procedure where a subset of inventory, in a specific location, is counted on a specified day.

**POLICY:**

- I. Departments with inventories of materials and supplies having an average total value of \$10,000 or more shall establish appropriate inventory records and conduct a physical inventory at least annually or implement formal procedures to conduct cycle counts in lieu of the annual physical inventory.
- II. Each Department required to perform a fiscal year-end inventory must establish departmental specific procedures (i.e., Departmental PPM) for controlling and administering its inventory.
- III. Each Department required to perform a fiscal year-end inventory should use the appropriate method of expenditure recording, valuation, and costing best suited to its operational needs. However, the LIFO costing method is not recommended for use by County Departments and Agencies. In cases where inventory is anticipated to be \$250,000 or more, perpetual inventory records should be considered after a cost benefit analysis has been done

- IV. According to generally accepted accounting principles, there are certain actions all departments should take regarding their inventory management. General guidelines should include:
- a.) Provisions should be made for the control of receiving and shipping, and for handling inventory movements during the inventory taking period in order to avoid contaminating the count.
  - b.) Inventory counts and record-keeping must be verified by personnel other than storekeepers and parts specialists responsible for maintaining the inventories. Test counts should be performed to validate the full count.
  - c.) The results of the physical count should be compared to the book balance. Any significant variance, defined as ten (10) percent or greater, must be investigated by the department in order to uncover weaknesses in its inventory control procedures. **These results must be reported to the Department Director and OFMB.**
  - d.) Storage areas should be secured against unauthorized admission as well as protected against deterioration with the use of locks, restricted access, proper shelter, etc. to improve control in addition to discouraging theft and spoilage.
  - e.) Obsolete and damaged inventory needs to be identified and segregated. Appropriate action must then be taken which may involve sale, disposal, write-off, write-down, etc. of the items.
  - f.) A determination regarding the adequacy of insurance coverage should be made by the Department after consulting with Risk Management.

**PROCEDURES:**

- I. Finance will supply general instructions and Inventory Control Sheets for the conduct of a fiscal year-end Inventory count process as part of the County's year-end closing procedures.
- II. The Inventory Count Sheets are completed by departmental staff providing documentation in a standardized format. These completed Inventory Count Sheets are required to be signed-off by a Department Director and submitted to Finance. (Refer to Exhibit A.)



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VERDENIA C. BAKER  
COUNTY ADMINISTRATOR

Supersession History

- 1. PPM# CW-F-059, issued 1/1/96
- 2. PPM# CW-F-059, revised 2/1/11
- 3. PPM# CW-F-059 revised 12/1/2013

**YEAR END INVENTORY PROCEDURES  
GENERAL INSTRUCTIONS**

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- I. Accurate year-end inventory counts are required for the County's annual financial statements. All items of a "saleable" nature as well as large amounts of materials and supplies on hand as of year-end must be accounted for.
- II. The inventory should be taken in an orderly manner; that is, aisle by aisle, row by row, etc. Please type or use neat legible printing when making entries on the inventory sheets.
- III. Areas and items to be inventoried should be clearly marked. Do not inventory unusable items or items of no value. Items not being inventoried should be separated from those that are being inventoried. Identify obsolete, damaged and slow moving items for appropriate action (i.e. disposal, write down, write off, etc.).
- IV. Items inventoried should be marked so auditors can verify quantities from inventory count sheets to floor and from floor to inventory count sheets.
- V. If your inventory is started prior to September 30<sup>th</sup>, all additions and deletions up through September 30<sup>th</sup> should be recorded and included with and become part of your inventory. Additions after September 30<sup>th</sup> should not be included in the inventory. Deletions after September 30<sup>th</sup> should be added to your inventory if it has not been completed by September 30<sup>th</sup>.
- VI. Please complete the first page, including the department or division head signature and the full names of all persons involved with the counting procedures. Each additional page should contain the initials of the people counting those item.

**MATERIALS AND SUPPLIES INVENTORY COUNT SCHEDULE**

DEPARTMENT: \_\_\_\_\_

SCHEDULED DATES

LOCATION (S)

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

\_\_\_\_\_

PERSON (S) WHOM THE AUDITORS MAY CONTACT REGARDING THE ABOVE INVENTORY:

Name: \_\_\_\_\_

Phone # \_\_\_\_\_

Name: \_\_\_\_\_

Phone # \_\_\_\_\_

Approved By: \_\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_\_

**NOTE:** Please complete the above information and return to Finance,  
Attn: Manager of Financial Reporting – on or before September 20, 20\_\_.

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Page \_\_\_\_ of \_\_\_\_

Initials \_\_\_\_\_

PALM BEACH COUNTY, FLORIDA  
INVENTORY  
As of September 30, 20 \_\_

DEPARTMENT \_\_\_\_\_

DIVISION \_\_\_\_\_

LOCATION \_\_\_\_\_

SECTION \_\_\_\_\_

SUPERVISOR'S NAME \_\_\_\_\_

Quantity	Complete Description	Stock # (if applicable)	Cost Per Unit	Total Cost

NAME(S) - INVENTORY COUNTER(S) \_\_\_\_\_

Page Total \_\_\_\_\_

Grand Total \_\_\_\_\_

DEPARTMENT HEAD SIGNATURE \_\_\_\_\_

DATE \_\_\_\_ / \_\_\_\_ / \_\_\_\_