

STATE OF SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL		
GAAP CLOSING PROCEDURES MANUAL		
INVENTORY CLOSING PACKAGE	REFERENCE	3.6
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PURPOSE AND OBJECTIVES

Inventory includes all materials, supplies, and other goods held for future use or for sale. Inventories are short-lived assets. Agencies normally use or sell inventory items within one year. An agency should report inventories it holds for future use only if it plans to issue those items to other sections within the agency. Land, buildings, and equipment (capital assets) are not inventory.

The distinction between capital assets and inventories is not always clear-cut. Each agency must establish criteria for deciding whether it will treat specific items as capital assets or inventory.

Surplus property items are not inventory. In general, an agency sends items to the Budget and Control Board's Surplus Property Office only after the agency no longer has use for the item. If an item is no longer in use, then it meets the definition of obsolete. Obsolete items are not included in inventory. (The fact that surplus property may be sold for nominal salvage amounts does not change this conclusion.)

The State plans to prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that the State record inventory on its financial statements at June 30.

AGENCY ACTION REQUIRED

- o Take a physical count of inventories on hand at the end of the fiscal year. Do this on some date between April 1 and June 30, but choose a date as close to June 30 as possible. The date should not vary significantly from year to year. Notify the State Auditor's Office at least two weeks in advance of the date of the physical count. It may wish to send someone to observe the count.
- o Compute the value of the inventory counted at the end of the fiscal year using an acceptable valuation method. Acceptable methods include last invoice price method, specific identification, average cost (moving-average or weighted-average), and FIFO.
- o Complete the Inventory Summary Form (GAAP Form 3.6.1) if the computed value of inventory on hand at the end of the fiscal year is \$100,000 or more.

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- o Complete the Summary of Commodities portion of the Inventory Summary Form (GAAP Form 3.6.1) if your agency received or disbursed United States Department of Agriculture food supplies (commodities) valued at \$100,000 or more during the current fiscal year.
- o Complete the Inventory Review Checklist (GAAP Form 3.6.2) before submitting the Inventory Summary Form(s) (GAAP Form 3.6.1) to the Comptroller General's Office. Retain the checklist with your other inventory working papers. Please do not return the Inventory Review Checklist (GAAP Form 3.6.2) to the Comptroller General's Office.
- o Return the completed Inventory Summary Form (GAAP Form 3.6.1) to the Comptroller General's Office no later than August 31. If you can return it earlier, please do so.

KEY TERMS

Average Cost. This is an acceptable method of valuing inventory items that some computerized inventory systems use. To use this method, value items on hand at the average cost of similar items purchased during the fiscal year. There are two methods for computing average cost: the moving-average method and the weighted-average method. If your agency uses a **perpetual inventory system**, you may use the **moving-average** method to determine a new weighted average cost after each purchase. If your agency uses a **periodic inventory system**, you may use the **weighted-average** method to determine an average cost only once per year (at the end of the period).

First-In, First-Out (FIFO). FIFO is a method of valuing inventory items on hand. Most valuation methods require that we make assumptions. This method assumes that agencies use inventory items in the order in which they purchase them. That is, items on hand represent the most recent purchases.

Inventory. Inventory includes all materials, supplies, and other goods held for future use or sale. Inventories are short-lived assets. Agencies normally use or sell inventory items within one year. Land, buildings, construction in progress, equipment, and livestock held for breeding purposes are capital assets, not inventory. Breeding livestock valued at \$5,000 or more should be reported in the Capital Assets Closing Packages. The distinction between capital assets and inventories is not always clear-cut. Each agency must establish criteria for deciding whether it will treat specific items as capital assets or inventory. Report the following types of inventories:

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- o Materials and supplies your agency plans to issue to other sections within your agency.
- o Merchandise for sale to the public, other agencies, or other governments.
- o Manufacturing inventories of raw materials, work in progress, and finished goods.
- o Harvested crops and livestock to be slaughtered within one year.
- o United States Department of Agriculture food supplies (commodities).

Last Invoice Price Method. The last invoice price method is a method of valuing inventory items on hand. It approximates FIFO. To use the last invoice price method, locate the most recent purchase invoice for an inventory item. Use the item cost on this invoice to value all similar items on hand. The primary advantage of the last invoice price method is its simplicity.

Merchandise Inventory. This inventory category includes items you purchase for resale to others. When your agency purchases items for resale, you will use STARS object codes 09xx.

Moving-Average Method. If an agency has a **Perpetual Inventory System** and wishes to use the **Average Cost** method, it must use the moving-average inventory valuation method to determine a new weighted-average cost *after each purchase*.

Periodic Inventory System. Under a periodic inventory system, an agency updates its Inventory account only periodically--perhaps just once each year. At that time, the agency would:

- o Take a physical count of inventory on hand.
- o Add the value of this inventory on hand to the Inventory account.
- o Reverse the entry it made in the Inventory account at the end of the last fiscal year.

Perpetual Inventory System. Under a perpetual inventory system, an agency updates its record of inventory quantities on hand whenever it purchases or issues inventory items. The agency may even update the value of its Inventory account at the same time. Under a perpetual system, the agency would:

- o Add quantities (and/or the associated dollar values) to its perpetual records whenever it purchases inventory items.

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- o Subtract quantities (and/or the associated dollar values) from its perpetual records whenever it issues or sells inventory items.
- o Periodically take a physical count of inventory on hand.
- o Adjust both its perpetual records and its Inventory account balance to reflect the results of the physical count.

Physical Count. "Taking a physical count" means physically counting and writing down the quantities of all inventory items actually on hand. This closing package focuses on taking a physical count of inventory on hand at the end of the fiscal year. Retain the Inventory Sheets you use when you take a physical count. These sheets document the physical existence of the balances in your Inventory account.

Specific Identification. Specific identification is an acceptable method of valuing inventory items on hand. To use this method:

- o Match specific units of inventory on hand to specific purchase invoices.
- o Value the units on hand at the costs shown on the invoices.

Supply Inventory. This inventory category includes items held for future use and manufacturing inventories. When your agency purchases supply inventory, it uses STARS object codes 03xx or 24xx.

Test Count. Agencies may conduct test counts to determine whether a perpetual inventory system is operating as it should. To conduct a test count:

- o Randomly select some items.
- o Count the quantity of these items actually on hand.
- o Compare the counted quantities with the quantities recorded in the perpetual inventory system.
- o Investigate any differences between the perpetual inventory records and the physical count.
- o Determine whether the differences indicate existence of control weaknesses. If so, correct the weaknesses.

Weighted-Average Method. If an agency has a **Periodic Inventory System** and wishes to use the **Average Cost** method, it should use

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the weighted-average inventory valuation method to determine a new average cost *at the end of each fiscal year.*

ACCOUNTING PRINCIPLES AND POLICIES

General

Generally Accepted Accounting Principles (GAAP) relating to inventory are defined by:

- o Governmental Accounting Standards Board (GASB) Codification Section 1600.127.
- o *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

GAAP requires the State to report on its financial statements the value of its inventories on hand at June 30. In addition, it is the State's policy to report the value of non-cash activities associated with the United States Department of Agriculture food supplies (commodities) program. Therefore, if your agency either:

- o Has inventories with an estimated cost of \$100,000 or more on hand at June 30 OR
- o Has received or disbursed United States Department of Agriculture food supplies (commodities) with an estimated value of \$100,000 or more during the current fiscal year,

you should:

- o Take a physical count of inventories on hand at the end of the fiscal year. Do this between April 1 and June 30, but choose a date as close to June 30 as possible. The date should not vary significantly from year to year.
- o Compute the value of the inventory on hand at the end of the fiscal year using an acceptable method. Acceptable methods include the last invoice price method, specific identification, average cost (moving-average or weighted-average), and FIFO. Value donated items and those costing nominal amounts (including United States Department of Agriculture food supplies) at fair market value on the date received. This is the price the State would have to pay if it purchased similar items from regular sources.
- o Report the computed value of year-end inventories to the Comptroller General's Office on the Inventory Summary Form (GAAP Form 3.6.1) if the year-end value is \$100,000 or more.

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- o Report the value of non-cash activity for United States Department of Agriculture food supplies (commodities) if your agency either received or disbursed commodities valued at \$100,000 or more during the fiscal year. Report this activity on the separate Summary of Commodities portion of the Inventory Summary Form (GAAP Form 3.6.1). Complete this section even if your year-end inventory value is less than \$100,000. Those State agencies that distributed United States Department of Agriculture food commodities to other State agencies will exclude the value of those distributions from the amounts they report in the Summary of Commodities section.

Agencies may complete the Inventory Summary Form (GAAP Form 3.6.1) using either a periodic or a perpetual inventory system. Auditors, however, generally consider perpetual systems to be superior to periodic systems.

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STATE OF SOUTH CAROLINA
SAMPLE AGENCY

EXHIBIT
3.6 (B)

INVENTORY SHEET CONTROL LOG

Names of Team Members	Storage or Warehouse Area	Inventory Sheets					
		Issued		Used		Not Used	
		To (1)	Nos. (2)	By (3)	Nos. (4)	By (5)	Nos. (6)

- (1) Initials of the team member issued and responsible for the forms.
- (2) Form numbers of forms issued to the team.
- (3) Initials of the team member returning the used forms.
- (4) Form numbers of forms used to record inventory on hand by the team.
- (5) Initials of the team member returning the unused forms.
- (6) Form numbers of all unused forms returned at the conclusion of the count.

NOTE: Each team must account for all forms issued to it. If any forms are missing, the team must give an explanation.

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Taking a Physical Count--General

Each agency should use systematic procedures for taking a physical count of inventory on hand at the end of the fiscal year to ensure that it counts:

- o All applicable items.
- o Only applicable items.
- o Items only once.

Agencies should prepare written instructions for taking the count. Written instructions help to minimize misunderstandings and make sure that those who help with the count receive complete and consistent instructions. If your agency's finance or internal audit department did not prepare the written instructions, at least one of these departments should review the instructions. This will help you to be sure that the procedures meet audit requirements.

The sample instructions below are suggestions for agencies that do not already have written procedures for taking a physical count. (Additional guidelines for merchandise inventory and perpetual inventory systems appear in separate sections below.) If your agency has different written instructions and auditors have expressed satisfaction with those procedures, continue to use them.

Taking a Physical Count--Sample Instructions

Before the count begins:

- o For several days before and after the count, the receiving department should label all items received as "before count" or "after count." Staff should also label the related receiving documents and invoices as "before count" or "after count." (During the count, you will count items labeled "before count" because these items were on hand. You will not count items labeled "after count," however. You received those items after the cut-off for the physical count.)

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- o Separate and identify each separate location within each warehouse or storage area by numbered tags. Arrange inventory items within each location in an orderly fashion.
- o Determine a way for teams to mark or tag counted items. The goal is to enable everyone to distinguish counted items from uncounted items at any time.
- o Duplicate and prenumber Inventory Sheets. These are blank forms with columns for location, description, and quantity. See Exhibit 3.6 (A).
- o Determine the person to be in charge of the physical count. This person will also maintain the Inventory Sheet Control Log. See Exhibit 3.6 (B).
- o Determine if your agency has any inventory items stored off-site with other State agencies or with non-State parties. (You will send count teams to these locations or arrange to have the other parties report these inventories to your agency. Include these items in your count.)
- o Assign counters to work in teams of two.
- o Assign some persons to be checkers (to check the accuracy of the count).
- o Just before the count begins, all counting teams and checkers should report to the inventory control area. The person in charge of the physical count should:
 - Issue final instructions to everyone.
 - Assign teams and checkers to specific warehouse or storage areas.
 - Issue blank prenumbered Inventory Sheets to the counting teams.

During the count:

- o To the extent possible, shut down operations in each location until the count for that location is complete. If you must issue items during the count, be sure that someone has counted and recorded the items before you issue them.

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- o Mark "issued" on the count sheet next to these items. This will help prevent discrepancies between counters and checkers.
- o Counters work in teams of two--one as caller, the other as marker. The caller counts the quantity of an item and calls out the information to the marker. The marker writes the information on the Inventory Sheet. Specifically:
 - Location: The warehouse name and number from the appropriate area tag.
 - Item Description: Use written descriptions. Include size, model number, etc., if applicable. Also include identifying item codes if the agency uses such codes.
 - Quantity: Indicate units of measure (each, dozen, gallons, etc.) where applicable.

Use separate Inventory Sheets for separate locations. Each line on an Inventory Sheet represents a specific type of item in a specific location. The same item will appear on two or more Inventory Sheets if two or more locations have that item.

- o After calling and marking a particular item, the team should tag or mark the physical item. This will enable all to see that the count of that item is complete.
- o If the agency receives items while the count is in progress, put them aside and label them as "after count." Do not count these items.
- o Do not count any inventories on hand that belong to other agencies or non-State parties. Tag or mark these items clearly so counters and checkers will not count them.
- o Send teams to count off-site inventories or arrange to have other parties count and report these inventories to your agency. Include these items in your count.
- o During the physical count, several checkers should check the work of the counting teams. Checkers should document which items they have checked. A checker who finds an error should:
 - Identify the appropriate team and call the error to their attention.

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-- Ask the team to count the item again and record the result on a new line.

-- Mark through the original line on the Inventory Sheet and cross-reference it to the corrected line.

- o Teams should completely count each major warehouse location or storage area before proceeding to another location.

Upon completion of the counting and checking in a particular location, the team should:

- o Sign the Inventory Sheet(s) for that location.
- o Return the sheets to the person in charge of the count. Return all Inventory Sheets--including all void and unused sheets. Do not discard any forms for any reason.

At the conclusion of the count:

- o The person in charge of the count maintains the Inventory Sheet Control Log to account for all Inventory Sheets issued. This person must determine that all Inventory Sheets are present.
- o After the teams complete all tasks and return all forms, the person in charge will release the teams. No one may leave until that time.

After the count:

- o If the agency's data processing department will input and process the inventory data:
 - The person responsible for the count should submit all Inventory Sheets to the data processing department.
 - The data processing department will then:
 - * Input information from the Inventory Sheets into the data processing system.
 - * Produce a printout showing item description, location, and quantity for all items on hand. This printout will include appropriate totals.

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* Deliver the printout to the person in charge of the physical count.

-- In some agencies, the data processing department enters unit values as well as data from Inventory Sheets. Then the resulting printout will include unit values, item values (count times unit value), and grand total value.

o Adjust the preceding procedures accordingly if the agency's data processing department will not input and process the inventory data.

Methods for Valuing Inventories

After the physical count, the person in charge of the physical count (or someone that person appoints) will value the inventory items. Agencies should value the items using an acceptable valuation method. Acceptable methods include the last invoice price method, specific identification, average cost (moving-average or weighted average), and FIFO. Agencies may use different methods for different types of items.

Value donated items and those costing nominal amounts at fair market value on the date received. This is the price the State would have to pay if it purchased similar items from regular sources. United States Department of Agriculture food supplies are in this category.

Identify obsolete and damaged inventory items. Value these items at \$0 or otherwise mark them down appropriately. (Valuation at \$0 assumes that these items are not material.)

Call the Comptroller General's Central State Financial Reporting Division if you have questions about appropriate methods for valuing manufacturing and other particular inventories.

Merchandise Inventory

You may apply the counting and valuation procedures described above to merchandise inventories. Alternatively, you may wish to change those procedures as follows:

o Write the retail price of each inventory item on the Inventory Sheet during the physical count.

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- o After the count, include the retail price of each merchandise item on the printout of inventory on hand.
- o Value the merchandise at retail reduced to cost. That is, first compute the retail value. Then apply an appropriate "gross margin percentage" to reduce the retail value to cost. Different items may have different gross margin percentages. You should take these differences into account when reducing the items to cost.
- o Value marked-down merchandise at the lower of cost or selling price.

Perpetual Inventory Systems

A perpetual inventory system can provide a list of items and quantities on hand at any date. It is very important, however, to conduct periodic physical counts to:

- o Be sure that the perpetual system is working properly.
- o Correct the perpetual records for any errors discovered.

If you have a perpetual inventory system:

- o Obtain a printout of all inventory on hand at the date of the physical count. However, do not show this printout to counters, checkers, or others involved in the physical count.
- o If the physical count reveals errors in the perpetual inventory system, adjust the perpetual records as soon as possible.
- o If your agency has good reasons for not taking a physical count between April 1 and June 30, conduct some test counts close to June 30. This will help you be sure that the system is still operating as it should. Conduct a complete physical count if you find many errors in the test counts.

Allocation of Inventory Values Among Funds

To complete the Inventory Summary Form (GAAP Form 3.6.1), you normally must enter dollar amounts for each GAAP fund that purchases inventory. You may need to distribute the total value of inventory on hand among two or more GAAP funds if you

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purchased it using two or more STARS subfunds. To determine if such an allocation is necessary:

- o Determine which STARS subfunds have recorded expenditures for inventory items. That is, determine which subfunds recorded expenditures using object codes 03xx, 09xx, or 24xx.
- o If inventory expenditures occur in two or more subfunds, determine if these subfunds belong within a single GAAP fund. (To do this, review Appendix A.) If the GAAP fund is the same for all subfunds involved, no allocation is necessary.
- o If the GAAP funds are different, determine a logical and reasonable way to distribute the inventory value among the applicable GAAP funds.

WORKING PAPERS

All working papers may be subject to audit. The agency's finance department should keep a copy of the completed Inventory Summary Form (GAAP Form 3.6.1). In addition, the agency should maintain working papers to support each figure on that Form. If the finance department does not maintain all supporting records, it should keep a written list showing who has these records. If your agency uses the sample procedures described above, working papers should include:

- o The completed Inventory Sheet Control Log.
- o The completed Inventory Sheets.
- o All lists of items on hand printed after the physical count.
- o Description of the method(s) used to value inventory on hand.
- o A working paper showing the following for inventory on hand at the date of the physical count:
 - Description of each inventory item.
 - Identifying code, if any, for each item.
 - Quantity of each item.

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- Value per unit of each item.
- The total value of each item.
- The total value of all inventory reported on the Inventory Summary Form (GAAP Form 3.6.1).
- o Working papers fully describing the methods used to distribute inventory values among GAAP funds.
- o Working papers fully describing any adjustments you have made to perpetual inventory records.

Appropriate documentation may vary somewhat depending on the valuation methods, count procedures, and type of inventory system your agency maintains.

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GENERAL INSTRUCTIONS--INVENTORY SUMMARY FORM (GAAP FORM 3.6.1)

- o Complete the Inventory Summary Form (GAAP Form 3.6.1) if your agency has year-end inventory on hand estimated at \$100,000 or more. If you are in doubt, (a) take a physical count, and (b) complete the Form if the actual value of inventory on hand is \$100,000 or more.
- o Complete the Summary of Commodities portion of the Inventory Summary Form (GAAP Form 3.6.1) if your agency received or disbursed United States Department of Agriculture food supplies (commodities) valued at \$100,000 or more during the fiscal year. Complete this section even if the year-end inventory value of commodities is less than \$100,000.
- o If you use a periodic inventory system, the Form will show values of inventories on hand at the date of the physical count.
- o If you use a perpetual inventory system, the Form will show values of inventories on hand at June 30. You will obtain these values from your perpetual records at June 30. (Remember, however, to correct your perpetual records for any errors you discover during the physical count or test counts.)
- o Round all dollar amounts to the nearest whole dollar.
- o Submit more than one Form if your agency has inventory in several GAAP funds. (Make copies of the blank Inventory Summary Form (GAAP Form 3.6.1) if necessary.)
- o Submit the Form to the Comptroller General's Office no later than August 31.
- o The person who prepares the Inventory Summary Form (GAAP Form 3.6.1) should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.6 (C) shows a sample completed Inventory Summary Form (GAAP Form 3.6.1). Detailed instructions for completing the Form follow the Exhibit.

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STATE OF SOUTH CAROLINA
INVENTORY SUMMARY FORM
At June 30, 2002 (1)

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3.6 (C)
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Agency:	(2) <u>A99</u> Code	<u>Sample Agency</u> Name		
Prepared:	(3) <u>8/20/2002</u> Date	By: <u>J. P. Junior</u> Employee Name	Title: <u>Accountant I</u>	Phone: <u>734-1234</u>
Approved:	(3) <u>8/28/2002</u> Date	By: <u>I. M. Senior</u> Employee Name	Title: <u>Dir. of Accounting</u>	Phone: <u>734-2345</u>
Date of Physical Inventory	(4)	<u>June 25, 2002</u>	Periodic Inventory System	(6)
Inventory Valuation Method	(5)	<u>Last Invoice Price</u>	Perpetual Inventory System	(6)
GAAP Account Code	Description			Dollar Amount
	GENERAL FUND – GENERAL			
		Supply Inventory	\$ <u>165,800</u>	(7)
0-1001-0-1280		Merchandise Inventory	<u>23,200</u>	(8)
2-1001-0-xxxx		GAAP FUND TOTAL (GENERAL FUND-GENERAL)	\$ <u>189,000</u>	(9)
	GOVERNMENTAL FUND			
	<u>Departmental General Operating-Federal</u> (11)			
	(Name of GAAP Fund)			
(10)		Supply Inventory	\$ <u>36,120</u>	(12)
0- <u>4005</u> -0-1280		Merchandise Inventory	<u>0</u>	(13)
2-xxxx-0-xxxx		GAAP FUND TOTAL	\$ <u>36,120</u>	(14)
	GOVERNMENTAL FUND			
	_____ (11)			
	(Name of GAAP Fund)			
(10)		Supply Inventory	\$ _____	(12)
0-____-0-1280		Merchandise Inventory	_____	(13)
2-xxxx-0-xxxx		GAAP FUND TOTAL	\$ _____	(14)

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STATE OF SOUTH CAROLINA
INVENTORY SUMMARY FORM
At June 30, 2002 (1)

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Agency: <u>(2)</u> <u>A99</u> <u>Sample Agency</u> Code Name		
GAAP Account Code	Description	Dollar Amount
(15) 0- <u>7104</u> -0-1280 2-xxxx-0-xxxx 0-xxxx-0-1280 2-xxxx-0-xxxx	ENTERPRISE, INTERNAL SERVICE OR TRUST FUND (16) <u>Central Supplies & Equipment-Unbudgeted</u> (Name of GAAP Fund) Supply Inventory Merchandise Inventory GAAP FUND TOTAL	\$ _____ \$ <u>0</u> (17) <u>110,500</u> (18) \$ <u>110,500</u> (19)
(20) 1- <u>7005</u> -0-xxxx (22) 2-xxxx-0- <u>1010</u> 0-xxxx-0-1280	SUMMARY OF COMMODITIES (Governmental Fund) (21) <u>Departmental General Operating-Unbudgeted</u> (Name of GAAP Fund) Value at Beginning Inventory-July 1, <u>2001</u> (23) Value of Commodities Received Value of Commodities Distributed or Disposed of Value of Ending Inventory – June 30, <u>2002</u> (24)	\$ _____ <u>250,000</u> (25) <u>200,000</u> (26) <u>(150,000)</u> (27) \$ <u>300,000</u> (28)
	Are Commodities included in your agency's annual budget?	YES (29) NO

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COMPLETING THE INVENTORY SUMMARY FORM (GAAP FORM 3.6.1)

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- (1) Enter the fiscal year for which this Form applies.
- (2) Enter the agency name and three-character STARS agency code.
- (3) Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. Keep a copy of the completed Form for the agency's working papers.
- (4) Enter the date the agency took its physical count. This should be as close to June 30 as possible. If your agency has a perpetual inventory system and the count date was not June 30, write:

June 30 balance according to perpetual inventory records and the physical count conducted on (date).
- (5) Enter the inventory valuation method your agency used. If you used two or more methods, attach a memorandum listing the valuation method(s) you used for each GAAP fund.
- (6) If you use the average cost valuation method, check the box indicating whether your agency used a perpetual or periodic system to update the inventory account. This information is important to determine whether to use the moving-average method or the weighted-average method to value the inventory.

GENERAL FUND--GENERAL. This section of the form is for GAAP fund 1001 (General Fund--General) only. Complete (7)-(9) if you have inventory balances for this GAAP fund.

- (7) Enter the value of GAAP fund 1001's supply inventory items (see Key Terms) on hand at the date shown in (4) above.
- (8) Enter the value of GAAP fund 1001's merchandise inventory (see Key Terms) items on hand at the date shown in (4) above.
- (9) Enter the sum of amounts (7) and (8).

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GOVERNMENTAL FUNDS. These funds have GAAP fund codes x001-x074. Complete (10)-(14) for each GAAP fund that has inventory.

- (10) Enter the four-digit GAAP fund code (see Appendix A). Use additional copies of the Form if you have inventory in more than two Governmental Funds.
- (11) Enter the name of the GAAP fund (see Appendix A).
- (12) Enter the value of the fund's supply inventory items (see Key Terms) on hand at the date shown in (4) above.
- (13) Enter the value of the fund's merchandise inventory (see Key Terms) items on hand at the date shown in (4) above.
- (14) Enter the sum of amounts (12) and (13).

ENTERPRISE, INTERNAL SERVICE OR TRUST FUNDS. These funds have GAAP fund codes x075- x175. Complete (15)-(19) for each GAAP fund that has inventory.

- (15) Enter the four-digit GAAP fund code (see Appendix A). Use additional copies of the Form if your agency has inventory in more than one Enterprise, Internal Service or Trust Fund.
- (16) Enter the name of the GAAP fund (see Appendix A).
- (17) Enter the value of the fund's supply inventory items (see Key Terms) on hand at the date shown in (4) above.
- (18) Enter the value of the fund's merchandise inventory (see Key Terms) items on hand at the date shown in (4) above.
- (19) Enter the sum of amounts (17) and (18).

SUMMARY OF COMMODITIES. Complete this portion of the Inventory Summary Form (GAAP Form 3.6.1) if your agency received or disbursed during the fiscal year United States Department of Agriculture food supplies (commodities) valued at \$100,000 or more. That is, complete this section only if (26) or (27) below or both is/are \$100,000 or more. Complete this section even if

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the value of year-end commodities inventory ((28) below) is less than \$100,000. Report Commodities separately from Merchandise and Supply Inventories. If your agency distributes United States Department of Agriculture food commodities to other State agencies, you must adjust your reported activity to exclude these distributions. (See (26) and (27) below.)

- (20) Enter the four-digit GAAP Fund Code (see Appendix A).
- (21) Enter the name of the GAAP Fund (see Appendix A).
- (22) Enter GAAP Agency Function Code (see Section 6.2, Appendix B).
- (23) Enter the calendar year in which the fiscal year begins.
- (24) Enter the calendar year in which the fiscal year ends.
- (25) Enter the value of commodities on hand at the beginning of the fiscal year. Enter the amount even if it is less than \$100,000.
- (26) Enter the value of commodities received after reducing this value by an amount equal to distributions made to other State agencies. (See (27) below.)
- (27) Enter the value of commodities distributed or otherwise disposed of, but exclude distributions made to other State agencies during the fiscal year.
- (28) Enter the sum of amounts (25), (26), and (27). This should be the value of commodities on hand at the end of the fiscal year.
- (29) Check the appropriate response concerning whether United States Department of Agriculture food commodities are included in your agency's annual budget.

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GENERAL INSTRUCTIONS--INVENTORY CLOSING PACKAGE, REVIEWER CHECKLIST (GAAP FORM 3.6.2)

- o The purpose of the Reviewer Checklist is to help your agency perform an effective review of the completed closing package forms **before** you submit them to the Comptroller General's Office. An effective review is essential to minimizing closing package errors. As such, it is an important internal control. **Completion of this Checklist is required.**
- o Retain the completed checklist for audit along with your other working papers; **do not** return it to the Comptroller General's Office.
- o Your agency's Finance Director, Executive Director, or another reviewer should complete the Reviewer Checklist. The reviewer **must** be someone other than the preparer.
- o Each question on the Reviewer Checklist is designed so that a "No" answer indicates a potential problem. Generally, when the reviewer responds "No," he/she should return the closing package form to the preparer to be corrected and resubmitted. If you believe that a "No" answer to a particular question is unavoidable or acceptable in your unique situation, however, attach an explanation to the completed checklist and retain it with the completed checklist.
- o This checklist is not all-inclusive. It is designed only to detect the most frequent types of errors. It may not identify all possible errors.
- o Exhibit 3.6 (D) shows a sample completed Reviewer Checklist (GAAP Form 3.6.2).

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STATE OF SOUTH CAROLINA
INVENTORY CLOSING PACKAGE
REVIEWER CHECKLIST
FISCAL YEAR 2002

EXHIBIT 3.6 (D)

Reviewer's Signature: <i>I. M. Senior</i>
Date Last Review Step Was Completed: <i>8/20/02</i>

REVIEW STEP	YES/NO
Is the reviewer of the Inventory Summary Form (GAAP Form 3.6.1) someone other than the person who prepared it?	<i>Yes</i>
Did the preparer and reviewer <i>sign</i> the Inventory Summary Form (not just type or rubber-stamp their names)?	<i>Yes</i>
Did the preparer and reviewer show their titles and telephone numbers?	<i>Yes</i>
Can all amounts reported on the Inventory Summary Form be traced back to official agency accounting records or to working papers?	<i>Yes</i>
Do the completed closing package forms reflect implementation of all changes in closing package instructions for this year, if any, that apply to your agency?	<i>Yes</i>
Are differences between the closing package amounts reported in the current-year and those reported last year either (1) small or (2) explained (as to reasons) in working papers retained for audit purposes?	<i>Yes</i>
Have the Date of Physical Count and Inventory Valuation Method lines been completed?	<i>Yes</i>
Have GAAP fund codes, GAAP fund names, and various other GAAP codes been provided when requested?	<i>Yes</i>
Has all inventory been counted and included in the amounts reported on the Inventory Summary Form?	<i>Yes</i>
<u>SUMMARY OF COMMODITIES SECTION:</u> Does the Value of Beginning Inventory equal the Value of Ending Inventory from the preceding year?	<i>Yes</i>
<u>SUMMARY OF COMMODITIES SECTION:</u> Have you answered the question on whether commodities are included in your agency's annual budget?	<i>Yes</i>