Memorandum Circular
No: 08
Series of 2006

Subject: Guidelines on the Conduct of Physical Inventory of Properties, Equipment and Supplies and Materials

I. Rationale:

Property and supply inventory is an itemized list of supplies or property on hand containing designation or description of each specific article with its valuation. Section 490 Volume I of the Government Accounting and Auditing Manual (GAAM) states that Physical Stock-Taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory taking which is required semi-annually or annually should be regarded with importance. Chief of agencies are required to take physical inventory of all the equipment and supplies belonging to their respective offices at least once a year, unless otherwise determined by the Commission on Audit (COA) chairperson in specific cases.

The conduct of physical inventory of properties and equipment and supplies is one way of attesting the physical existence of properties and serve as a basis for preparing accounting reports, and is vital in the planning of additional acquisitions. Thus, this Memorandum Circular is issued to guide the conduct of such in the Department.

II. Objectives:

1. To validate the existence of properties and equipment;
2. To check the integrity of records of stockpiled items;
3. To determine the conditions and functionality of properties and equipment; and
4. To update records on properties, equipment and supplies and materials.

III. Composition of the Inventory Committee

Members of the Inventory Team under Department Order No. 07 Series of 2000 shall be reconstituted and amended so as to re-name the
Inventory Team to National Inventory Committee for Central Office (C.O.) and Inventory Committee for Field Offices (FOs).

The composition is as follows:

1. Central Office (C.O.)

   Chief, Property Management Division (PMD)  Chairperson
   Chief, Accounting Division  Vice-Chairperson
   2 representatives, Procurement and Supply Division  Members
   2 representatives, Accounting Division  Members
   1 representative, Mgmt. Information Systems Service  Member

   Any deficiency in manpower shall be filled-up by staff from the PMD. The Chairperson may appoint additional members from his/her staff subject to the approval by the Secretary or his/her representatives.

   The inventory shall be witnessed by representative/s either from the Internal Audit Service (IAS) and/or the Commission on Audit.

2. Field Offices

   Chief, Management Division  Chairperson
   Supply Officer  Vice-Chairperson
   Field Office Accountant/Accounting Representative  Member
   Field Office IT Coordinator  Member

   The Field Office Director may appoint additional members if necessary.

   The inventory taking activities shall be also witnessed by representative/s either from the Internal Audit Service (IAS) and/or the Regional Commission on Audit/Field Office Resident Auditor.

   The Property Management Division in C.O. and the Property and Supply Unit in the Field offices shall serve as the Secretariat to the Committee. All the records and other pertinent documents relative to the inventory of properties shall be kept in their custody.

IV. Functions

Once the inventory taking has started, the Committee shall perform the following functions on a "Jury Duty" to avoid interruption of the activity:

1. Verify existence of properties and equipment;
2. Validate stock level/count of all stockpiled items:
3. Reconcile and prepare reports of discrepancies between physical count and property records;
4. Establish accountability and responsibility over the properties and equipment;
5. Establish conditions and functionality of properties and equipment;
6. Prepare and submit the final Inventory Reports together with the recommendation and findings to the Secretary or his/her representative in C.O. or to the Director in FOs for approval.

V. Terms of Assignment of chairperson, vice-chairperson and members of the Committee

The chairperson and vice-chairperson shall have indefinite terms of assignment unless otherwise terminated by the Secretary or his/her representative in which case, a new chairperson or vice-chairperson will be appointed to assume the post.

All members of the committee shall have a renewable term of assignment for two (2) years unless otherwise sooner terminated or revoked. In the event of transfer to other office, resignation, termination of service and recall of assignment of a member, his/her immediate supervisor should recommend a replacement.

VI. Inventory Procedures

Prior to the conduct of the actual inventory by the Committee, a standard form on the list of existing properties/equipment shall be filled up by each office for submission to the property office/unit for initial assessment and study not later than October 15 of every year.

1. Conduct of Physical Inventory

The Committee is responsible for the actual count and in ascertaining the existence of all properties/equipment and supplies and materials on stock. The valuation and/or costing for unvalued properties shall be the responsibility of Accounting Division/Unit.

Any adjustment of records of properties and supplies and materials shall be done immediately by the Committee with the knowledge and consent of the head of the office concerned
2. Frequency of Inventory Taking Activity

<table>
<thead>
<tr>
<th>Classification</th>
<th>Cut off date</th>
<th>Start of Inventory</th>
<th>Submission of Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies and Materials</td>
<td>June 30</td>
<td>1st working day of July</td>
<td>On or before July 31 of current year</td>
</tr>
<tr>
<td></td>
<td>December 31</td>
<td>1st working day of January</td>
<td>On or before January 31 of the</td>
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<td></td>
<td></td>
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<td>succeeding year</td>
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<tr>
<td>Property Plant and Equipment</td>
<td>December 31</td>
<td>1st working day of November</td>
<td>On or before January 31 of the</td>
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<td></td>
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<td>succeeding year</td>
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<tr>
<td>Accountable Forms</td>
<td>December 31</td>
<td>1st working day of January</td>
<td>On or before January 31 of the</td>
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<td></td>
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<td></td>
<td>succeeding year</td>
</tr>
</tbody>
</table>

3. Documents Required as Basis of Inventory Taking Activities

a. Prior Year’s Inventory Reports
b. Property Ledger Cards (PLC)
c. Supply Ledger Cards (SLC)
d. List of Newly Acquired Equipment/Properties
e. Memorandum Receipts (MR)
f. List of Properties/Equipment Submitted by Each Office/Unit on October 15 of each year
g. Deed of donation and acceptance of donated properties
h. Other documents relevant to the inventory

4. Property Identification

The Department shall adopt a uniform identification system for easy recognition of equipment/property/ies. The property officer shall assign a property sticker for each and every property/equipment according to the system. The property sticker shall contain all vital information of each equipment/property for easy identification, as follows:

a. Brief description of the property/equipment
b. Model Number
c. Serial Number
d. Property Number
e. Acquisition Date
f. To Whom Assigned/Responsible Officer/Employee
g. Space for Validation/Signature of the Inventory Committee

5. Validation/Inventory Taking

In order to facilitate the smooth conduct of inventory, the Chairperson of the Committee shall give specific assignment to his/her members as follows:
a. Check the property description as listed in the reference
documents and state its present condition.
This will be done by the Counter.

b. Replace the property sticker/tag if necessary.
This will be done by the Tagger.

c. List all equipment/properties that are found at the station but not
listed in the reference documents and indicate the condition of the
equipment/property in the remarks portion of the inventory sheet.
This will be done by the Checker.

d. Sign the space provided on the sticker/tag indicating therein the
date of inventory.
This will be done by the Validator who is usually the chairperson
or vice-chairperson of the Committee unless delegated to other
member.

After the physical inventory, the inventory committee shall reconcile
the results of the activity with the property and accounting records.
All discrepancies between the physical count and records shall be
reported to concerned staff/official and reconciled immediately.

VII. Preparation and Submission of Reports

Upon completion of the physical count, the Committee shall prepare the
required annual or semi annual inventory reports. The inventory reports
shall be certified correct by the Committee, attested by witnesses from
COA and/or IAS subject to the approval of the Secretary or his/her
representative in Central Office and by the Director in FOs.

Such inventory reports shall be made in official form (GF 41(A)) and
reproduced in three (3) copies. Upon approval by the Secretary or
his/her representative in C.O. and the Director in FOs, a copy of the
reports shall be submitted to the auditor concerned not later than the
deadline specified under VI. Inventory Procedures, 2. Frequency of this
guideline.
VIII. Effectivity

This Circular shall take effect immediately and amend and/or revoke all other issuances, guidelines, or their specific provision/s inconsistent with this guidelines.

IX. Issuance

Issued this 19th day of May 2006 at Quezon City, Philippines.