

FY26 PHYSICAL INVENTORY PROCEDURES

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GENERAL

To comply with Governmental Accounting Standards (GASB 34) and to assure maintenance of accurate fixed asset records, the Finance and Administration Cabinet (FAC), Division of Statewide Accounting Services (SAS) requires an annual physical inventory of fixed assets by all state departments. The accuracy of the fixed asset records is necessary for management to demonstrate stewardship and properly ensure the property, as well as report accurately the Commonwealth's financial position at year-end through the Annual Comprehensive Financial Report (ACFR). Non-expendable personal property observations are required every year. Every four years (2025, 2029, 2033 etc.), real property is included in the inventory observation.

ONLY non-expendable personal property is required to be inventoried for Fiscal Year 2026.

The inventory observations and system corrections should be completed following the procedures described in this document, and the completed inventory reports should be returned by **May 29, 2026**.

The fixed asset inventory observation of personal property must include the following:

- *Equipment, vehicles, artwork, and historical treasures valued at \$5,000.00 or more,*
- *Software with a cost of \$500,000.00 or more, and*
- *All other intangibles with a cost of at least \$100,000.00.*

As in previous years, departments are encouraged to expand the personal property inventory effort to include all items \$500.00 or more in compliance with the [FAP 120-20-01](#) to maintain a comprehensive inventory of fixed assets.

FAC-SAS has provided statewide fixed asset reports for agencies available in eMARS Reporting. The reports are located as follows:

1. Log in to eMARS and click on "Search" in the secondary navigation panel.
2. Select eMARS Reporting and log in. *(If you need assistance accessing or logging into eMARS Reporting, you will need to contact Finance CRC. They can grant you access and/or reset your password)*
3. From the Home screen, select "Folders", then "Public Folders", "eMARS Financial", "Statewide Reports", and "Fixed Assets Reports".
4. For FY26, you will need ONE of the two reports listed below to conduct your physical inventory:
 - a. **Fixed Assets – Equipment (ACFR)*** to meet minimum annual inventory requirements,
OR
 - b. **Fixed Assets – Equipment (\$500 and over)** report to inventory all items \$500.00 and above.

*If you select the **Fixed Assets - Equipment (ACFR)** report, you must provide the date of your department's last full inventory of personal property (all fixed assets \$500 and above) on the first page of your inventory report.

Once the inventory observation is complete, department fiscal officers are required to submit the following:

- A certification letter signed by the Fiscal Officer AND the Property Officer**,
- A copy of the report used for the observation (including any comments),
- Any continuation sheets containing items located during inventory which exceed the cost thresholds but were not reflected on the report, and
- The “Inventory Observation Log Sheet” listing all documents processed in eMARS during the inventory observation.

****NOTE: Even if your agency does not have any fixed assets valued at \$5,000.00 or above, you must still submit the signed certification letter stating this.**

Please submit your completed inventory observation documentation via e-mail to Jason.Salazar-Munoz@ky.gov.

PLANNING

Planning the inventory will help ensure that the overall goal is met. Depending on the size of the department, a physical inventory of fixed assets can be a major undertaking; therefore, everyone’s help and cooperation should be solicited. Each department should schedule planning meetings to include all levels of management (directors, managers, and supervisors) as well as any employees that will be taking part in the physical fixed assets inventory. At a minimum, the planning meeting should include a review of the project, establishment of a time frame for its completion, and procedures for each phase of the project.

The phases should include:

- Cleanup of the Document Catalog in eMARS,
- Conducting the physical inventory at each location,
- Reconciliation of the physical inventory and data entry of system updates, based on the reconciliation.

Follow up meetings should be held to assess overall progress and problem areas.

Assign the appropriate number of individuals to the task, in order to meet the project deadline. If employees from other areas are to be used, ensure they are adequately instructed prior to the actual inventory observation. ***At a minimum, departments should instruct personnel on procedures to be followed when an asset cannot be located or when located items are not on the report. (See later sections of this document.)***

Schedule the specific week(s) that the fixed asset inventory will be conducted. Once the schedule is set, completion of the inventory should be the top priority of assigned personnel. All efforts should be directed at starting and finishing the fixed asset inventory in a timely manner.

COMMUNICATION

It is important to communicate the inventory plans to all affected, including:

- ***The Auditor of Public Accounts*** – Notify the APA, ***at least 10 days before the physical inventory is to be conducted***, of the dates and locations for the physical inventory so that a representative of that office may be present to observe your inventory procedures. Any agency failing to provide sufficient notification may have additional audit procedures, such as scheduling auditor recounts. Be sure to include your department’s APA contact.

Please provide the information below for each site at which a physical inventory of fixed assets will be conducted. Return the completed form to the following e-mail address:

Joshua Sutherland

502-564-5841

E-mail: JoshuaB.Sutherland@ky.gov

DATE	TIME	CONTACT PERSON	PHONE	LOCATION

- ***Department heads in all locations*** – Notify the responsible department head of each location of the inventory dates. Provide advance notice so that arrangements can be made for entrance to each facility for inventory purposes. The responsible department head can serve as a good source of information or can identify the person most familiar with equipment. This is especially true when inventories involve custom built items, lab components or specialized equipment.
- ***Department personnel in all locations*** – Communicate to all department personnel that the physical movement of fixed assets should be frozen during the inventory observation, including disposals.

PHYSICAL INVENTORY OBSERVATION PHASES

As previously mentioned, the phases to the physical inventory observation should include the following:

- I. Cleanup of the Document Catalog in eMARS,
- II. Conducting the inventory at each location,
- III. Reconciliation and data entry of system updates.

This document describes each phase, including suggested target dates for completion.

I. Cleanup of the Document Catalog in eMARS

Target Date: 3/20/2026

Prior to running the fixed asset listing using one of the reports in eMARS Reporting, it is highly recommended that each department review all transactions on the Document Catalog and process as many as possible. This will help to ensure that the reports are as complete as possible.

Search the document catalog in eMARS for fixed asset documents (FA, FD, FC, FM, FI, FT) for your department that are still in draft status.

It is particularly important to clean up your FA shells before beginning inventory to ensure any fixed assets purchased to date have been appropriately added to your inventory listing.

II. Conduct the Inventory at Each Location

Target Date: 4/27/2026

A. Print the Inventory Report

For Fiscal Year 2026, departments have TWO options when deciding which report to use for inventory. You must submit one of the two reports below that are available in the Fixed Assets Reports folder of the Statewide Reports folder in eMARS Reporting:

1. **Fixed Assets - Equipment (\$500 and over)** – This report may be used to inventory all items valued at over \$500.00 to comply with **FAP 120-20-01**, which specifies that each budget unit maintain a current fixed asset record of all fixed assets.
2. **Fixed Assets - Equipment (ACFR)** – This report may be used to meet the minimum annual fixed assets inventory observation requirements in compliance with governmental accounting standards (**GASB 34**) and in preparation for the **Annual Comprehensive Financial Report (ACFR)**. This report reflects equipment, vehicles, artwork, and historical treasures when the unit cost is \$5,000.00 or more, software valued at \$500,000.00 or more, and other intangibles with a cost of \$100,000.00 or more.

Departments needing the data in these reports to be ordered differently may develop intermediate reports or export the data to Microsoft Excel and sort it differently, but these *intermediate reports should not be submitted as part of the inventory observation*. Departments should keep them for audit purposes.

You must ONLY use one of the approved reports listed above for submission of the inventory observation results. If intermediate reports are used to collect inventory information, all results and comments must be transferred to the approved eMARS reports before the inventory observation is submitted to the SAS.

B. Completing the Inventory Report

For each item appearing on the report, the inventory officer must verify data in all columns and indicate any corrections in the Action and Comments columns as follows:

- **Department, Unit, Location, Asset Type, FA Number, Description, Serial Number, etc.** – Write any required corrections in each row and provide clarification in the **Comments** column. Documents for non-expendable personal property should later be completed in eMARS to record the corrections to the data fields, with the Document Numbers listed on the log sheet. (See the “DATA ENTRY IN eMARS” section of this document.)
- **Action** – Use this column to record whether or not the asset was observed:
 1. Place an “**F**” (for “Found”) in the column if the asset was located.
 2. Place an “**M**” (for “Missing”) in the column if the asset could not be located. Before leaving the inventory site, make every effort to locate missing items. Talk to the custodian if one is shown on the listing and document their knowledge of the asset’s location. Review the list with management at that location, to determine their knowledge of the missing assets. **If an asset is marked as missing, the reason or further clarification is required in the comments column.**
 3. Place an “**A**” (for “Add”) in the column (or on a continuation sheet), if the asset appears to cost \$5,000.00 or more but is not shown on the listing or is shown with a lower value.
- **Comments** – Use this column as needed to record other relevant observations pertaining to the item.

Inventory officers should create continuation sheets as needed to record observed items appearing to cost \$5,000.00 or more but not reflected on the report.

C. Items Located but Not on Report

When conducting the inventory, you may find assets at the location that do not appear on the fixed asset listing. This could occur if:

- The asset has never been entered in eMARS,
- The asset is in eMARS under a different location,
- The asset document is on the Document Catalog but is not in final status, or
- The asset has been entered in eMARS with a value of less than \$5,000.

When non-expendable personal property is found at a location but does not appear in the report, the following steps should be taken:

1. Review all Fixed Asset documents for your department on the Document Catalog with a status other than “Final” to ensure that a document has not already been prepared for the asset. If the fixed asset document is found on the Document Catalog, complete the document and submit it to “Final” status. If no document is found continue to the next step.

2. Search by Serial Number. Go to the home page in eMARS and select **Fixed Asset Registry Component (FARCOMP)** by clicking on it. On the **FARCOMP** page, enter the Serial Number of the asset, and click **Apply**. If the asset is found, take the appropriate corrective action by completing a transfer (**FT**) document for the asset to reflect the correct responsible department, or a modification (**FM**) document to correct the sub location if it is non-expendable personal property or completing the appropriate form (**FT or FM**) if it's real property. Be sure to contact any other inventory officers affected by these changes so they will not be searching for an asset appearing in their report that has been found at your location.
3. Search for the asset in eMARS by Fixed Asset Number. Use the **Fixed Asset Registry Header (FARHDR)** table and the **FARCOMP** table as described in step 2. It is possible that even though the item appears to have a value of \$5,000.00 or more, it cost less than \$5,000.00 and was correctly omitted from your list.

If after completing the above tasks you still are unable to locate the asset in eMARS, you must prepare an **FA** document to record the fixed asset for non-expendable personal property or complete the **FA** form included if it is real property. All fixed asset documents (FA”, “FM”, “FD” and “FT”) prepared because of the physical inventory, must have a document ID of **26IN** with auto document number invoked (see insert below). This allows for easier tracking of all fixed asset entries made during the inventory process. In addition, all information regarding the asset should be added to the report provided to you or to a continuation sheet and the Inventory Observation Log Sheet with the document ID number.

Create Transaction

Continue

<p>* Transaction Code</p> <input type="text" value="FA"/>	<p>* Transaction Dept</p> <input type="text"/>
<p>Transaction Unit</p> <input type="text" value="26IN"/>	<p>* Transaction ID</p> <input type="text"/>
<p><input checked="" type="checkbox"/> Auto Numbering</p> <p>▶ Show More</p>	

D. Items on Report but Not Located

It is possible that assets appear on the inventory report but cannot be located. This could occur if:

- The asset is at a different location than that indicated in eMARS,
- The asset has been disposed of, and/or
- The asset has been stolen or lost.

Should personal property appear on the report that cannot be located, take the following steps:

1. Review **FD** and **FT** documents on the Document Catalog in a status other than “Final”. It is possible the asset has been disposed of (via **FD**) or transferred (via **FT**) and the document is not yet submitted or approved. If a document is found for the asset in question, any necessary corrections should be made so that the document will post.
2. Determine if the asset is at another location. This asset may be one that an inventory officer at another location has found which does not appear in the report for that location. Therefore, review the continuation sheet of other locations for your department. If this asset was found at another location complete an **FM** document to record the location change.
3. This asset may have been transferred to another state department through an official reorganization, and your department has not updated their records. Therefore, search by serial number using the eMARS **FARCOMP** table. You can search this table by going to the home page in eMARS and selecting **FARCOMP**. Enter the serial number in the field provided and click **Apply**. This will provide you with a listing of all assets with that serial number, related description(s) and tag number(s). In the event this occurred, process **FD** documents to correct the system.
4. Review the comment column of the inventory listing to see if it was determined through the inventory observation that this asset was disposed. If so, an **FD** document must be prepared in eMARS to update the Fixed Asset records if non-expendable personal property or the **FD** form should be completed if real property. Also, determine if the Division of Surplus Property within the Finance Cabinet needs to approve the disposition method.
5. If the asset has been lost, documentation should be maintained explaining the loss, as the facts are known. If it has been determined that the item has been stolen, the theft should be reported to the police.

If it is determined that any of the above situations have occurred, you must prepare the document(s) necessary to remove the item from eMARS and/or correct the information in eMARS. All documents for non-expendable personal property should be processed by the agency, while real property changes need to be recorded on the appropriate form for Finance SAS to process in eMARS. All documents (**FA**, **FM**, **FD** or **FT**) prepared because of this inventory must have a document ID of **26IN** with “Auto Document Numbering” invoked. In addition, all information regarding the asset should be added to the inventory document log provided by the Finance Cabinet. This form is shown on page 10.

The training manual for entering fixed asset documents in eMARS can be found at:

<https://finance.ky.gov/office-of-the-controller/office-of-statewide-accounting-services/financial-reporting-branch/Pages/fixed-assets.aspx>

After completing your inventory observation, you must have accounted for every asset on the report. Any additional assets found should be added to the bottom of the report or on a continuation sheet.

III. Reconciliation and Data Entry

Target Date: 5/29/2026

Equipment Inventory Only. Once the physical inventory observation has been completed, the results as noted in the **Action** and **Comments** columns of the report should be reconciled to the eMARS system by processing any necessary documents to record those updates. The document number should be written on the inventory report or continuation sheet (in the **Comments** column) as well as on the “Inventory Observation Log Sheet” (see page 10).

CONTACT INFORMATION

If you have questions or concerns about the inventory, please contact Statewide Accounting Services:

Jason Salazar 502-782-2590 E-mail: Jason.Salazar-Munoz@ky.gov

