

## Physical Inventory

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Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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To ensure that the system is functioning as intended, the city should initially take a complete inventory of capital assets every three or four months. The inventory should agree with the records maintained in the CAAS.

After determining that the system is operating properly, an annual physical inventory (coinciding with the end of the city's fiscal year) should be sufficient. In the interest of internal control, the property accounting officer should check inventories randomly and unannounced.

We recommend that you require strict accountability for the use and care of capital assets. Make an investigation of any shortages or overages in cooperation with the department involved.

Frequently such conditions are due to the lag in recording acquisitions, transfers, and dispositions. Report any unexplained shortage to the head administrative or chief fiscal officer. Make adequate written explanation of all items accounted for and be available for any administrative or legislative inquiry regarding discrepancies.

It will simplify taking inventories if the property accounting officer provides a current listing, in numerical order, of the equipment charged to each department. This list should provide space for checking each item present, noting exceptions and certification.

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*DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.*

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