

JOSH B. GREEN, M.D.
GOVERNOR
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BONNIE KAHAKUI
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STATE OF HAWAII
STATE PROCUREMENT OFFICE

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December 27, 2022

PROCUREMENT CIRCULAR NO. 2023-06

TO: Office of the Governor, Chief of Staff
Office of the Lieutenant Governor, Chief of Staff
Executive Department Heads (excluding Department of Education, University of Hawaii
and Hawaii Health Systems Corporation)
Hawaii State Public Library System, State Librarian

Chief Procurement Officers:
Judiciary, Administrative Director of the Courts
Senate, President
House of Representatives, Speaker of the House of Representatives
Office of Hawaiian Affairs, Chairperson of the Board

CC: Administrative Services Offices

FROM: Bonnie Kahakui, Acting Administrator *Bonnie A. Kahakui*

SUBJECT: Annual Physical Inventory

Procurement Circular 2023-06 replaces Procurement Circular 2014-02.

In accordance with [Hawaii Administrative Rules \(HAR\) §3-130-6:](#)

- (a) Each designated property custodian or governmental unit shall conduct an annual inventory, to be verified by a physical count of all state property in their possession, custody, control, or use.
- (b) If there is a change in the designated property custodian, the head of the department, or the head of any board, commission, agency, bureau, or office of the State or the custodial department's fiscal office shall take action to have a physical inventory taken at that time.
- (c) Immediately upon the completion or termination of any agency or property account, for whatever reason, a complete physical inventory shall be taken pursuant to the direction of the head of the department, or the head of any board, commission, agency, bureau, or office of the State or the custodial department's fiscal office.

The annual physical inventory shall be conducted using MDB Report 033, Detail Inventory of Property. This report represents the agency's inventory listing as of December 31 of the previous year. The maintenance control numbers have not been changed and are to be used until the end of the fourth quarter.

All designated property custodians are required to conduct a wall-to-wall physical inventory of all property on hand, in accordance with Hawaii Administrative Rules (HAR) §3-130-6 and reconcile the count with the quantity reflected on this inventory listing. This list shall be manually updated, correcting any computer rejections or other posting errors. Report adjustments as a result of the physical inventory in the third quarter on form SPO-017 A by the due date. Refer to page 2-3 of the [Inventory System User Manual](#) to review the quarterly update due dates.

A physical inventory of all consumable and non-consumable supplies in your possession is required to be conducted and your records updated to reflect the changes, in accordance with HAR §3-130-5(c).

Items not needed and in usable condition should be listed on the State Procurement Office Excess State Property List for redistribution to other state agencies. Missing or unserviceable items require a disposal application in accordance with HAR §3-130-8, Lost, stolen, or damaged property, §3-130-10, Disposal and restrictions relating to state property, and §3-130-11, Disposal application. For missing items, the designated property custodian is required to conduct a complete and detailed investigation before reporting the loss. The justification or statement of the circumstances surrounding the loss must be sufficient to satisfy future audits and inspections. The designated property custodians are responsible for establishing, maintaining, and enforcing written internal control procedures to ensure accountability of the property in accordance with HAR §3-130-4, Internal control, form SPO-023, Internal Control Procedures for State Property.

Designated property custodians shall certify by signature, completion of their physical inventory and update process. The provided Annual Physical Inventory Certification form with a column for the signature of the designated property custodian **shall be completed and returned to the Inventory Management Office by the first Monday in May of the current year.**

Your agency may contact Inventory Management Office at inventory.management.office@hawaii.gov for the latest inventory listing. The list is also available in Excel format.

Penalty

Pursuant to HRS §103D-1210, any officer, member of a public board, assessor, or other person who fails to perform any of the duties imposed upon the person by this part shall be fined **no more than \$500 or imprisoned not more than six months**. District judges shall have jurisdiction to hear and determine all cases of alleged violations of this part committed within the circuit for which the judge was appointed.

Please visit <https://spo.hawaii.gov/faqs/> on Inventory for more information.