

PHYSICAL PLANT
OPERATING POLICY AND PROCEDURE

PP/OP 05.02: Inventory Procedures

DATE: April 2, 2003

PURPOSE

The purpose of this Physical Plant Operating Policy and Procedure (PP/OP) is to establish procedures for the annual physical inventory of Accountable Property. The objective is to verify record account of quantity-on-hand with the physical count of Accountable Property. Reports will be produced and forwarded to Internal Audit and/or Accounting Services.

REVIEW

This PP/OP will be reviewed by November 1 of each odd numbered year (ONY) by the manager material resources with recommendations forwarded to the director for physical plant.

POLICY AND PROCEDURE

1. Definitions of Accountable Property:
 - a. Non-consumable property having an acquisition cost of \$5,000 and controlled property on record with Property Inventory.
 - b. Non-consumable property having an acquisition cost of \$500 to \$4,999.99 maintained on record by Physical Plant Department Supply.
 - c. All stock maintained by inventories in Physical Plant including Central Warehouse, Department Supply, Shop Bench stock, and Central Heating and Cooling Plants I and II (CHACP) Bench Stock.
 - d. All shop equipment and tool inventories.
2. Inventory Policy
 - a. All stock maintained by inventories in Department Supply, Shop Bench stocks, Garage, and CHACPs I and II will be inventoried annually at a time scheduled by the manager for physical plant material resources in coordination with directors and associate directors of the departments concerned. Internal Audit will be notified of the scheduled inventory. Material Resources personnel will conduct the count with the assistance of shop/plant personnel.
 - b. All stock maintained by inventory in Central Warehouse will be inventoried

annually as scheduled by the manager of central warehouse in accordance with procedures for the inventory subsystem in TechFim. The schedule will be coordinated with the TechFim project leader in Administrative Information Systems and coordinator of financial systems. Internal Audit will be notified of the scheduled inventory. Material Resources personnel will conduct the stock count.

- c. At a time designated by Property Inventory, Department Supply personnel will inventory all non-consumable property valued \$5,000 and above as well as controlled property on record with Property Inventory.
- d. Non-consumable property on record with Department Supply valued \$500 to \$4,999.99 will be inventoried annually per shop/division as scheduled by Department Supply's warehouse supervisor in coordination with superintendents and foremen. Tool inventory will be conducted accordingly.

3. Procedures

- a. A closed-warehouse/shop method of inventory will be used to ensure accuracy for Department Supply, Shop Bench stocks, Garage, and CHACPs I and II stock inventories. Site procedures for physical inventory, which produces count sheets without the on-hand count, will be used. When stock and record count disagree, a different person will perform a second count. If necessary, a third count will be performed by Department Supply's warehouse supervisor or the manager of central warehouse to verify accuracy. A discrepancy report will be produced for audit by Department Supply's warehouse supervisor or manager material resources and any necessary changes made. An inventory adjustment report will be produced listing all changes to the inventory with a total dollar figure for adjustment. A report of current inventory will be produced listing the grand total for all inventories. A copy of the adjustment report and current inventory report will be forwarded through the director for physical plant for approval then to Internal Audit for record purposes.
- b. Preparation for Inventory: Each shop and plant will place his or her property in the best possible condition for the physical counting. Stock must be completely identified and clearly marked. Stock will be prepackaged into standard unit packages to expedite counting. Work order and CR work order materials as well as assets belonging to other departments will be clearly labeled as such and marked "Do Not Inventory" in order to avoid confusing with regular stock items.

Department Supply will provide (30 days in advance) a management listing of stock to each shop responsible for bench stock. Plants will furnish their own listing of stock for inventory.

One month before scheduled inventory, superintendents and foremen will walk through the storage areas of Department Supply identifying obsolete stock for disposal. Department Supply will process obsolete stock to Surplus Property before beginning annual inventory.

- c. Central Warehouse will use a closed-warehouse method of inventory. TechFim procedures for physical inventory, which produces count sheets without the on-hand count, will be used. When stock count and record count disagree, a second and, if necessary, a third count will be performed for accuracy. The manager of central warehouse will produce a discrepancy report for audit and any necessary changes made. An inventory adjustment report will be produced listing all changes to the inventory with a total dollar figure. A copy of the Inventory Adjustment and Current Inventory reports will be forwarded through the DPP for approval then to Internal Audit for record purposes.
- d. A report of all Physical Plant stock controlled inventories will be produced from current records at the close of business each August 31. The report will list the stock location, description, count-on-hand, cost of each unit, total cost of each line item, and the total dollar amount of inventory on hand. Two copies approved by the director for physical plant will be sent to Accounting Services by the due date designated by that office. Central Warehouse will also send a Timing Difference report to support accounting procedures to reconcile the balance sheet.
- e. Non-consumable property valued from \$5,000 and above, and controlled property will be physically inventoried by Material Resources' employees according to schedule, reports, and guidelines of Property Inventory. Schedules will be coordinated with shops/departments in order that property will be available for verification. Central Warehouse and Custodial Services will perform individual property inventory due to separate record maintenance.
- f. Non-consumable property valued from \$250 to \$4,999.99 will be inventoried annually by the designated property custodian of shop/department from a report produced by Department Supply. Department Supply personnel will be available to assist the custodian if necessary. Coordination of scheduling will be timed to avoid delay of scheduled work by shop/ department.

Craftsman tool inventory will be conducted accordingly.

- 4. See Attachment A for all types of inventories, scheduling, and responsibilities.

RESPONSIBILITIES

<u>POSITION</u>	<u>SECTION</u>	<u>MONTH</u>	<u>DAY</u>
Manager Central Warehouse	Review	Nov 1 (ONY)	

Approved: _____
Reviewer

Approved: _____
Director for Physical Plant